Archwilydd Cyffredinol Cymru
Auditor General for Wales

The renewal and disposal of property held by the National Health Service in Wales

Report by the National Audit Office on behalf of the Auditor General for Wales

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John Bourn
Auditor General for Wales

National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

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This report was prepared for the Auditor General for Wales by the National Audit Office Wales.

The National Audit Office study team comprised Gillian Body, David Metcalfe, Elaine Matthews and Simon Tippett. Photographs supplied by Welsh Health Estates. Cover picture: Bryn y Neuadd Hospital.

For further information about the National Audit Office Wales please contact:

National Audit Office Wales
23-24 Park Place
Cardiff
CF10 3BA

Tel: 029 2067 8500

email: ian.summers@nao.gsi.gov.uk
gillian.body@nao.gsi.gov.uk
Web site address: http://www.agw.wales.gov.uk/index.htm

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Royal Glamorgan Hospital: New build, completed 1999

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EXECUTIVE SUMMARY

Background

1 This examination follows on from an earlier one by the National Audit Office Wales, *Managing the Estate of the National Health Service in Wales*, published in November 2001. That study covered estate strategy and organisational arrangements and estate information and performance in the National Health Service in Wales (NHS Wales). During that examination it emerged that modernisation and rationalisation of the NHS Wales estate were key drivers affecting the achievement of value for money and improved health care provision, warranting this separate follow on report. Together, these two investigations provide an assessment of the strategic and operational management of the NHS Wales estate. They provide a baseline against which to measure the performance of the NHS Wales and the National Assembly for Wales (the Assembly) in improving the management of the estate and the quality of the estate in the coming years.

2 The Assembly's main priority for new investment is to modernise and upgrade the estate to make it fit for the purpose of providing health care services, including addressing health and safety concerns. The Assembly aims to ensure that the capital investment made in the NHS Wales estate is strategically sound and properly directed to meet service needs. The Assembly is also seeking to generate income from the sale of properties that are surplus to requirements, owned or managed by the Assembly, health authorities and NHS trusts in Wales, to help fund its investment programme in the NHS Wales estate.

3 The National Audit Office Wales examined how well the Assembly and the NHS Wales are managing the modernisation and rationalisation of the NHS estate in Wales, against the background of service developments since the early 1990s. In looking at estate renewal we focused on the results of the Assembly's programmes to renew property on the NHS Wales estate and the effectiveness of the Assembly's scrutiny and monitoring of major property procurement projects undertaken by NHS trusts in Wales. In looking at property disposal we focused on the performance of the Assembly and the NHS Wales in identifying and programming non-essential properties on the NHS Wales estate for disposal and in selling NHS Wales properties once they have been declared surplus to requirements.

Summary of findings and recommendations

Programmes to renew property on the NHS Wales estate

4 The Assembly aims to sustain and improve on the current level of capital investment in the NHS Wales estate. The Assembly funds new investment in the NHS Wales estate through two main routes: direct capital investment and revenue funding for private finance initiative schemes. The fifteen NHS trusts in Wales are responsible for developing and implementing individual projects for new investment, in the context of regional and strategic health care objectives and priorities set by the five health authorities and the Assembly. We found that:

- the difficult financial positions of many trusts and health authorities in Wales in recent years and the stresses of reconfiguration have meant that the renewal of the estate has not generally been a high corporate priority, other than in response to the need to address urgent health and safety concerns;
- the allocation by the Assembly and the Welsh Office before it of direct publicly funded capital for spending on the NHS Wales estate steadily reduced from a high of around £128 million in 1992-93 to a low of some £73 million in 2000-01. This represented a 43 per cent drop in cash terms (over 50 per cent in real terms);

- between 1992-93 and 2001-02, NHS trusts have completed nearly 20 major estate modernisation and renewal projects at a combined project cost of over £200 million. But trusts have had mixed success with managing directly funded capital projects over this period, in terms of delivery to specification, to time and within budget;
- it is still early days for private finance initiative hospitals in the NHS Wales. Most individual schemes in the NHS Wales are for projects of less than £5 million in capital value and are for the provision of support services and facilities. The largest project, the £66 million Neath Port Talbot Hospital, is due to open in Autumn 2002; and
- Assembly guidance for NHS Wales trusts and health authorities on policy and practices for developing and undertaking private finance initiative projects is weak and sharing of lessons learned between trusts, health authorities and the Assembly is underdeveloped. The Assembly's NHS Wales Department has recently issued advice to NHS Wales trusts on the status and applicability in Wales of United Kingdom wide guidance on the public finance initiative.

5 We recommend that:

- NHS trusts tighten their management grip of directly funded estate investment projects to ensure that they are delivered to quality, on time and within budget;
- the Assembly's NHS Wales Department assist NHS trusts in Wales in building up experience in handling private finance initiative projects and contracts, including promoting relevant guidance and the sharing of lessons learned; and
- the Assembly's NHS Wales Department and NHS Wales trusts make greater efforts in seeking to attract private capital for hospital renewal projects, and consider the scope for streamlining bidding and administrative processes, without compromising public accountability and good practice principles.

Scrutiny and monitoring of major property procurement projects

6 The fifteen NHS trusts in Wales have primary responsibility for developing and implementing new investment schemes to improve the health care estate in their localities. The five health authorities in Wales are directly involved in the scheme development process and are responsible for confirming the acceptability and affordability of capital investment schemes, in the context of their regional health care objectives and priorities. Major publicly funded capital schemes and schemes involving private capital are scrutinised, approved and monitored by the Assembly's NHS Wales Department in accordance with well established guidance and procedures. We found that:

- individual projects are approved on their own merits in accordance with established procedures. However, in the absence of a coherent strategic framework for the NHS Wales as a whole, there is a significant risk that major public expenditure commitments may be made to address short term or historic problems rather than strategic future needs;
- the arrangements for monitoring capital expenditure do not provide an effective financial control or a forecasting tool. This is because the information provided to Welsh Health Estates is either incomplete or late. The Assembly's NHS Wales Department has taken steps recently to improve its monitoring of centrally managed expenditure on major capital projects; and

- the Assembly's NHS Wales Department has little visibility over discretionary capital spending by trusts, or the progress of projects funded under the current discretionary capital allocation arrangements. At around £50 million a year, discretionary capital allocations have since 1998-99 accounted for just over half the Assembly's overall direct capital investment in the NHS estate.

7 We recommend that:

- the Assembly's NHS Wales Department and Welsh Health Estates institute a formal business process to govern the applicability of value-added tax rules to trusts and to capital investment schemes, and issue appropriate guidance to NHS trusts in Wales on this matter to improve the project scrutiny and monitoring process;
- the Assembly's NHS Wales Department adopt an appropriate high level system for monitoring trusts' discretionary capital spending, to complement its monitoring of the centrally funded programme, perhaps in the form of an annual summary statement from each trust on scheme progress. This would not compromise trusts' discretion in making capital expenditure decisions, but should improve the overall review and management of the capital programme;
- NHS Wales trusts and the Assembly's NHS Wales Department improve the provision of information to Welsh Health Estates to facilitate more effective monitoring of capital expenditure on estate related projects in the NHS Wales; and
- the Assembly's NHS Wales Department consider the scope for streamlining the project scrutiny and approval system for major strategic property procurement projects and review the capital investment and prioritisation process to this effect.

Identifying properties as surplus to requirements

8 NHS wide guidance states that NHS bodies should only retain property that is required to enable them to fulfil their functions. Once a property has been identified as no longer required for NHS use, it should be declared surplus to operational needs by the body that owns or occupies it and sold. As the first NHS trusts were formed in Wales, between 1992 and 1996, they took control of the operational property assets necessary to provide their health services, and took responsibility for the identification and disposal of surplus properties on their estates. Meanwhile, the health authorities continued to manage, on behalf of the Secretary of State for Wales, those properties not transferred to trusts on their formation. These were primarily properties deemed surplus to long term health care requirements, known as the residual estate. We found that:

- at 31 March 2002 there were 51 residual estate properties managed by health authorities on the Assembly's behalf, most of which were held by the North Wales and the Gwent health authorities, and some of which had been identified as surplus for many years;
- three trusts (Bro Morgannwg, Pembrokeshire and Derwen, North Glamorgan) were carrying the greatest amount of land and buildings identified as non-essential (i.e. assessed by them as having no long term use beyond five years). The majority of this non-essential estate was property already identified as surplus to requirements but still in operational use by the trusts to varying extent;
- we estimate property with a potential market value of up to £30 million could be made available for disposal through further rationalisation of accommodation on the NHS Wales estate. This is just over ten per cent of the total £270 million market value of the estate and is over and above the properties that are

currently identified by health authorities and trusts as actually or potentially surplus. Disposing of this property would take time and involve costs to achieve; and

- the Welsh Assembly Government has recently increased significantly the financial incentives to encourage NHS trusts in Wales to facilitate service improvements through estate rationalisation. From April 2002 trusts can retain receipts on individual property sales up to either £1 million or £2 million, depending on trust turnover.

9 We recommend that:

- the Assembly's NHS Wales Department review the use of all property originally classified as residual estate when trusts were formed but which is currently operational, fit for purpose and deemed to have long term use beyond five years, with a view to transferring ownership of such property to the local trust where appropriate;
- the Assembly's NHS Wales Department and NHS Wales property holding bodies robustly manage service partner and public consultation relating to health care developments and health facility closures to avoid undue delay in the disposal of surplus properties;
- NHS Wales trusts take early steps to undertake preliminary work on preparing to dispose of those properties that they have identified as non-essential but which have not yet been formally programmed for disposal, within the context of their estate strategies, irrespective of whether such properties are linked to new investment proposals;
- NHS Wales trusts actively consider the scope for rationalisation of their property holdings on a continuous basis, taking account of service developments and of functional suitability and space utilisation surveys of their estates, to identify further property as potentially surplus to requirements;
- the Assembly's NHS Wales Department review the capital charging arrangements for the NHS Wales estate when resource budgeting has bedded in, to ensure that the arrangements are proving an effective incentive in practice for trusts to identify and dispose of land and buildings that are surplus to requirements; and
- the Assembly's NHS Wales Department monitor carefully the impact of its new incentive arrangements for trusts to identify and dispose of surplus property, whereby trusts can retain a proportion of sale proceeds.

Selling surplus NHS Wales property

10 NHS wide guidance states that once a property has been declared surplus to requirements it should be sold as soon as possible at the best price reasonably attainable. Properties should be sold through competitive tender or auction, and sale terms kept as simple as possible. The Assembly's NHS Wales Department requires health authorities and NHS trusts in Wales to submit annual returns scheduling all property available for sale. We found that:

- overall the NHS Wales estate has reduced by about a quarter since 1990-91, including the disposal of over 40 hospitals and 50 health centres and clinics. In the seven years between 1995-96 to 2001-02, health authorities in Wales disposed of 71 properties, 58 per cent of the residual estate held and managed by them and assessed as having no long term health care use. In the same period NHS trusts in Wales disposed of some 50 surplus properties, around 5 per cent of the operational estate owned and managed by them;

- in the period 1992-93 to 2001-02, the former Welsh Office and the Assembly have raised some £53 million in cash terms in overall net sale receipts from the sale of surplus properties, peaking in the two years 1999-00 and 2000-01 which together yielded £23 million. These receipts were mainly from the sale of residual estate properties, some of which had been identified as surplus to requirements for many years;
- the average disposal costs for all the surplus NHS properties sold in Wales in 1999-00 and 2000-01 was £60,000 a property. Residual estate properties cost more to dispose of (on average £70,000 a property) than NHS trust owned properties (£20,000), mainly reflecting the larger size, greater complexity and longer time taken to dispose of residual estate properties. The average costs to dispose of NHS trust owned properties in Wales were some 14 per cent higher than those incurred by NHS trusts in England (£17,500). It is not clear to what extent this may be a reflection of different market and property conditions or of significant variations in performance with managing disposal costs by trusts in England and Wales;
- in the case of some NHS Wales surplus properties disposed of in the last ten years the costs of sale exceeded the sale receipts, resulting in a net loss to the Assembly and the NHS Wales. A key driver for increasing costs was the time taken to secure a sale;
- NHS Wales surplus properties sold by trusts and health authorities over the mid to late 1990s took an average of three years to sell after being formally declared surplus. Although a quarter of properties took a year or less to sell, others took up to ten years. Key factors cited by trusts and health authorities as lengthening the time taken to sell properties included difficulties over planning matters, handling public consultation, the availability of prospective purchasers and the time taken within the NHS Wales and the Assembly obtaining approvals for sales;
- not all the factors involved in securing prompt disposal of individual properties are under the direct control of the NHS trusts and health authorities in Wales, but we consider that there is much that trusts and health authorities can do to actively manage and influence such external factors;
- there was scope to improve performance in the time taken to sell surplus NHS properties in Wales. To achieve the performance demonstrated by NHS trusts in England, trusts and health authorities in Wales would need to halve the average time taken to dispose of surplus properties. We estimate that if NHS trusts and health authorities in Wales had done this for the surplus properties sold by them in 1999-00 and 2000-01, this would have brought forward the realisation of sale receipts of up to £5 million for those years; and
- accelerating the disposal of individual properties would have reduced sale costs and in some cases help reduce losses on disposal. We also estimate that achieving performance in disposal times similar to England could have saved the NHS Wales some £1 million in related disposal costs for 1999-00 and 2000-01.

11 We recommend that:

- NHS Wales property holding bodies develop more effective partnerships with local authority sectors in Wales through more joined-up cross sector working, in particular when seeking planning permission for alternative use and when exploring the potential for land transfers in relation to individual sales;
- the Assembly's NHS Wales Department and NHS Wales property holding bodies examine the scope to accelerate the disposal of surplus properties through more streamlined internal administrative processes, in particular relating to the submission and approval of business cases involving sales;

- NHS Wales property holding bodies ensure they have sound information about their surplus properties and resolve as many matters affecting sales as possible before putting properties on the market. This would expedite sales and keep sale costs to a minimum;
- NHS Wales property holding bodies ensure that the teams established to manage the sale of individual surplus properties are set up early and take timely and independent professional advice on property valuation; and
- the Assembly's NHS Wales Department monitor whether value for money is being achieved from the sale of surplus property assets by health authorities (and their successor bodies) and trusts in Wales, in terms of sale proceeds, costs and time, in the context of periodic reviews of the performance of the chief executives of NHS Wales property holding bodies.

Overall conclusions

12 Renewing the NHS Wales estate is a significant challenge for the Assembly and the NHS Wales. In recent years, NHS trusts in Wales have had mixed success with the completion, to time, cost and quality, of major estate modernisation and upgrade projects funded through the NHS Wales capital programme. The provision of new hospitals through projects involving private finance rather than publicly funded capital is still a relatively new phenomenon in Wales and yet to have significant impact for the provision of major healthcare facilities. To demonstrate the value for money of its strategic investment in the NHS Wales estate, the Assembly's NHS Wales Department needs swiftly to consolidate recent improvements to national planning and project scrutiny arrangements. And to safeguard its strategic investment, the NHS Wales Department needs to further improve its capital expenditure monitoring arrangements.

13 Disposing of surplus estate assets on the NHS Wales estate makes a relatively minor contribution towards financing new investment, but can contribute significantly to reducing running costs. Health authorities in Wales have disposed of the majority (58 per cent) of the so called residual estate left in their hands following the formation of NHS trusts in Wales in the period 1992 to 1996 and following their own reconfiguration in 1996. For their part, NHS trusts have identified and disposed of a small but significant proportion (around 5 per cent) of the operational estate owned and managed by them over this period. In the ten years from 1992-93 to 2001-02, the former Welsh Office, the Assembly, health authorities and trusts in Wales raised some £53 million in cash terms from the sale of surplus properties. In real terms this is broadly equal to the capital costs of the new Neath Port Talbot Hospital at Baglan.

14 The National Audit Office Wales examined what scope there was for the NHS Wales, with the support of the Assembly's NHS Wales Department, to improve performance in identifying and disposing of surplus properties. We considered carefully the potential for the NHS Wales to rationalise its estate assets, speed up sales of surplus properties and reduce disposal costs. On the basis of the findings from our two NHS estate management reports, we conclude that:

- further rationalisation of under used and unsuitable premises held by NHS trusts in Wales could lead to properties with a potential market value of up to £30 million being identified as surplus, just over ten per cent of the total market value of the estate (£270 million), though disposal of this property would take time and involve costs to achieve;

- accelerating past disposals of individual properties would have brought forward the realisation of capital receipts for the NHS Wales. We consider that had trusts and health authorities in Wales achieved performance in disposal times similar to those in England, they would have brought forward sale receipts of up to £5 million for properties sold in 1999-00 and 2000-01;
- accelerating past disposals of individual properties would also have reduced sale costs. We consider that achieving performance in disposal times similar to England could have saved the NHS Wales some £1 million in related disposal costs for 1999-00 and 2000-01.

15 The National Audit Office Wales recognises the steps that the Assembly's NHS Wales Department is taking to develop a robust framework for strategic investment in the NHS Wales estate. These include the Assembly's national estates strategic framework, NHS trust estate strategies and a new estates performance management system, all matters covered in our earlier examination, *Managing the Estate of the National Health Service in Wales*, published in November 2001. They also include new organisational arrangements for managing the disposal of residual NHS estate, new financial incentive arrangements to encourage NHS trust in Wales to identify and sell surplus property, and improvements to the capital expenditure monitoring system, all covered in this report. The main impact of all these initiatives will be from 2002-03 onwards. The National Audit Office Wales will continue to monitor these developments and the progress that the Assembly and the NHS Wales make in managing the modernisation and rationalisation of the NHS estate in Wales.

PART 1 INTRODUCTION

The NHS Wales estate - background

1.1 NHS Wales trusts and health authorities own or occupy some 900 properties and more than 1,000 hectares of land. This estate has an existing use value of some £1.2 billion, an estimated market value of around £270 million and an estimated total replacement cost of around £4 billion. Since 1992-93 the former Welsh Office and the Assembly have provided between £70 million and £130 million a year for spending on capital investment in the NHS Wales, for the estate and major equipment.

1.2 Over this period, the number of health sites in Wales has reduced by about a quarter, including the disposal of over 40 hospitals and nearly 50 health centres and clinics, mainly in response to developments in the provision of health care services. Disposal of surplus property by the Assembly and the NHS Wales has raised some £53 million in net sale proceeds in the period 1992-93 to 2001-02, £23 million (43 per cent in cash terms) coming in the two years 1999-00 and 2000-01.

The Assembly's priorities for rationalising the NHS Wales estate

1.3 The rationalisation of the NHS Wales estate involves the provision of new health care premises and facilities to meet existing and new needs as well as shedding properties that are surplus to current and planned future requirements. Developments in health care service provision are the main drivers behind the development of the NHS Wales estate. The Assembly is seeking to plan and manage the rationalisation of the NHS Wales estate on a continuous basis. The Assembly's main priorities in making new investment in the NHS Wales estate are to modernise and upgrade the estate to make it fit for purpose and to address health and safety concerns. The Assembly is also seeking to generate income from the sale of surplus NHS properties in Wales to help fund its programme of investment in the NHS Wales estate.

The National Audit Office examination

1.4 This report examines how well the Assembly and the NHS Wales are managing the modernisation and rationalisation of the NHS estate in Wales through the procurement of new health care and related premises and the disposal of properties that are surplus to requirements. In carrying out its examination the National Audit Office Wales focused on:

- reviewing the results of investment programmes to renew the NHS Wales estate and the effectiveness of the Assembly's scrutiny and monitoring of major property procurement projects undertaken by NHS trusts (Part 2); and
- assessing the performance of the Assembly and the NHS Wales in identifying non-essential estate and selling surplus property (Part 3).

1.5 For the purpose of the examination we defined the NHS Wales estate as the land and buildings assets and related equipment owned, occupied or managed by NHS trusts and health authorities in Wales. We looked at the performance of the Assembly's NHS Wales Department, the five health authorities and the fifteen trusts in Wales in undertaking their responsibilities for the stewardship of the public money and assets under their respective control directed to property renewal and disposal. We also looked at the activities of Welsh Health Estates, who are responsible for providing property holding bodies in Wales and the Assembly's NHS Wales Department with professional and technical support relating to the NHS Wales estate. We did not look at the procurement and disposal of properties by general practice partners in the NHS Wales. A summary of our methodology is set out at Appendix 1.

PART 2 PROPERTY RENEWAL

2.1 The Assembly's 2001 NHS Plan, *Improving Health in Wales: a plan for the NHS with its partners*, aims to sustain and improve on the level of capital investment in the NHS Wales estate that it inherited from the former Welsh Office. Major priorities for targeting new investment are to modernise and upgrade the estate to make it fit for purpose and to address health and safety concerns. This part of the report reviews:

- the results of the Assembly's programmes to renew property on the NHS Wales estate; and
- the effectiveness of the Assembly's scrutiny and monitoring of major property procurement projects undertaken by NHS trusts in Wales.

Programmes to renew property on the NHS Wales estate

2.2 The Assembly funds new investment in the NHS Wales estate through two main routes: direct capital investment and revenue funding for private finance initiative schemes. The fifteen trusts in Wales are responsible for developing and implementing individual schemes and projects for new investment, in the context of regional and strategic health care objectives and priorities set by the five health authorities and the Assembly. In reviewing investment in the NHS Wales estate over the last decade we looked at directly funded capital projects and projects involving private finance.

Directly funded capital programme

2.3 The NHS Wales capital programme is mainly for the modernisation and upgrading of the estate but also includes major equipment procurement. There have been four main components to the directly funded capital programme since the Assembly was established in 1999 **(Figure 1)**:

- the centrally managed all-Wales capital programme;
- discretionary capital funds allocated to trusts;
- specific funding for capital modernisation projects; and
- the all Wales health capital renewal fund.

Figure 1

Components of the NHS Wales capital programme

All-Wales capital programme

The Assembly's NHS Wales Department centrally manages an investment programme for major capital schemes and projects in the NHS Wales that accord with strategic, all Wales priorities. Figure 2 shows that the level of funding for this all-Wales capital programme has fluctuated widely over the past decade, from a high of nearly £100 million in 1992-93 to a low of under £10 million in 2000-01. The all-Wales capital programme budget is being progressively increased over the next three years, in accordance with the NHS Plan, to £30 million in 2003-04, mainly to cover pressing health and safety work on the estate and for the provision of new medical equipment.

NHS trusts' discretionary capital

NHS trusts in Wales also have their own discretionary capital allocations. Funding under this programme is for trusts' minor capital investment schemes and projects. Funds are allocated to individual trusts according to a formula based on the trust's income and cumulative depreciation of assets. Compared with the all-Wales capital programme, the discretionary capital allocations have remained relatively constant over the past decade, at around £40 million to £50 million a year (Figure 2). The discretionary capital budget is being progressively if modestly increased over the next three years to £54 million in 2003-04, mainly for essential medical equipment and estate maintenance work.

Capital modernisation funding

In addition to the all Wales capital programme and discretionary capital allocations, the Assembly set up a capital modernisation fund as a one-off sum of money for designated capital schemes. The capital modernisation fund was a fund specifically to provide capital for NHS trusts in Wales. The fund was for a total of £33 million for the three years 1999-00 to 2001-02 (Figure 2).

All Wales health capital renewal fund

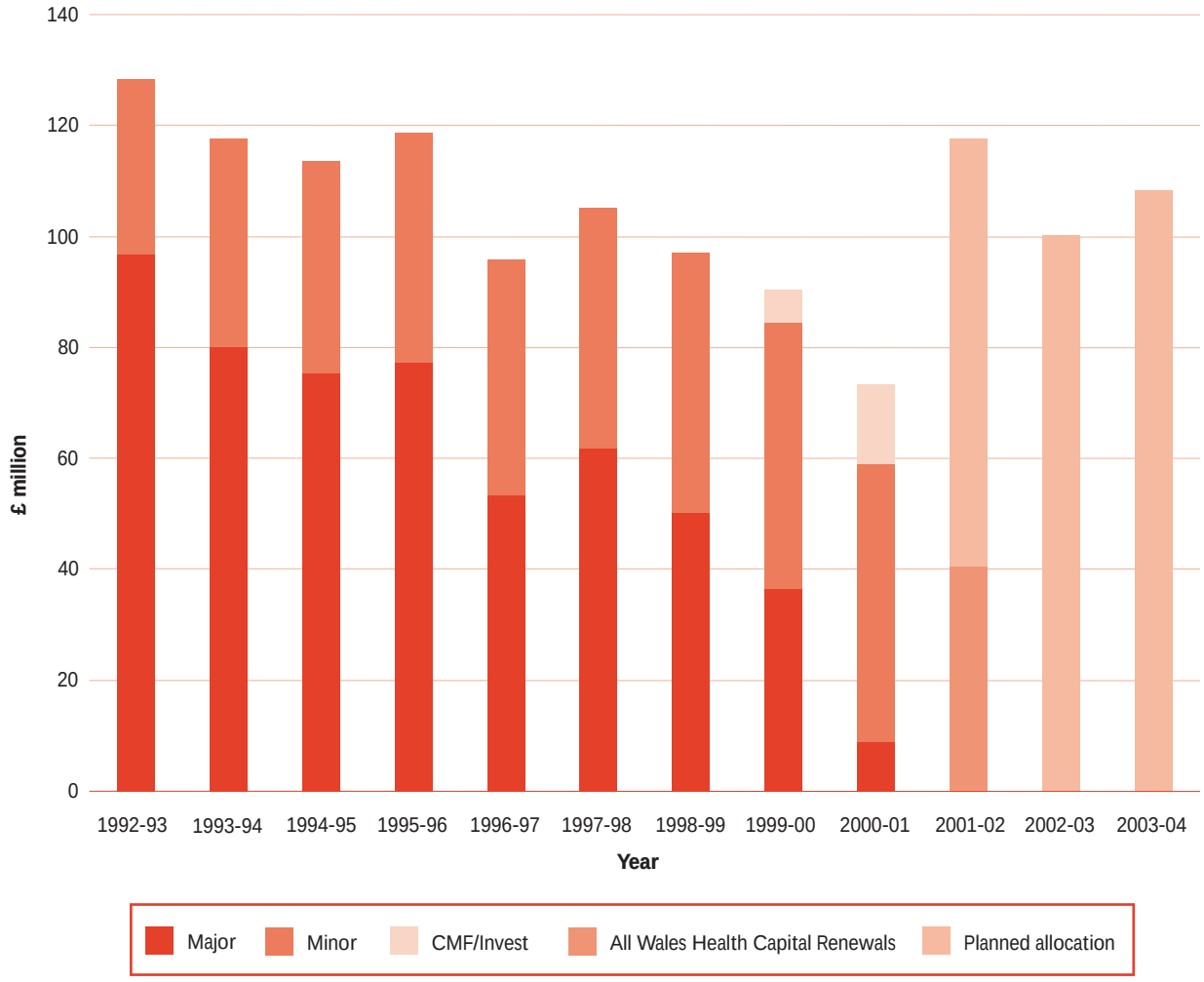
This fund was created through the drawing down of £40.5 million of centrally held year end flexibility funding for specific application to the NHS Wales capital renewal programme in 2001-02.

Source: National Assembly for Wales

2.4 The overall funding allocation for the publicly funded capital programme on the NHS Wales between 1992-93 and 2000-01, together with planned funding from 2001-02 to 2003-04, is set out in **Figure 2**. This shows that total direct capital spending progressively declined from a high of some £128 million in 1992-93 to a low of around £73 million in 2000-01, a 43 per cent reduction in cash terms. The main reduction in this period was within the centrally managed all-Wales capital programme.

Figure 2

Funds for capital investment in the NHS Wales estate, 1992-93 to 2003-04



NOTES

1. Major capital: projects in the centrally managed all-Wales capital programme.
2. Minor capital: NHS trusts' discretionary capital projects.
3. Capital modernisation fund: a one-off allocation for trusts' projects to address urgent health and safety issues.
4. All Wales health capital renewal fund: financed from centrally held end of year flexibility monies.
5. In year allocations exclude redistributed unspent funds from prior years.
6. Capital investment includes spending on major equipment as well as land and buildings.
7. Funds for 2001-02 to 2003-04 are planned figures.

Source: National Assembly for Wales

2.5 The overall NHS Wales capital programme budget has been consistently under-spent in recent years. This has been due to a number of factors, including the ability of trusts to develop suitable projects in the time required, the quality of trusts' submissions and the time taken by the Assembly with project scrutiny. For example, the NHS Wales Department told us that delays in the project scrutiny and approval process, due in turn to late project submissions from NHS trusts in Wales, were the main reason for a £20 million under-spend on the capital programme in 2000-01. The NHS Wales Department could not provide us with an analysis of actual expenditure on the NHS Wales capital programme over the period 1992-93 to 2000-01. We were thus unable to compare spending against allocation over this period as a whole, and relied on the allocation figures to indicate the size of the capital programme.

Overall capital programme management

2.6 We reviewed the overall management of the estate components of the NHS Wales capital programme for 2000-01 and 2001-02. We found that:

- in 2001-02, seven of the fifteen trusts in Wales were following a financial recovery plan in order to reduce their deficits (Cardiff and Vale, Carmarthenshire, Ceredigion and Mid Wales, North East Wales, Pembrokeshire and Derwen, Powys Healthcare, Welsh Ambulance Service). Estate rationalisation featured as a component of these plans, particularly at Cardiff and Vale NHS Trust where revenue savings from disposing of surplus estate are a significant factor in its financial recovery plan;
- the whole of the capital modernisation fund and a significant proportion of all-Wales and discretionary capital investment in the estate is committed to dealing with urgent and essential health and safety measures and backlog maintenance, thereby reducing funds available for investment in new property assets. We estimate that more than half the £70 million spent on the capital programme in 2000-01 related to upgrading and just under half to new facilities, though this was difficult to establish with precision.

Individual capital projects

2.7 We reviewed the estate renewal and refurbishment projects included in the NHS Wales capital programme for 2000-01 and 2001-02. At March 2002, the capital programme included nearly 30 ongoing estate-related schemes at nine of the fifteen trusts in Wales and spread over some ten different sites. These projects were at various stages of development or completion and in total amounted to a potential programme commitment of over £230 million, of which some £190 million (85 per cent) had been spent to 31 March 2002. The single largest project in the programme was the £100 million Royal Glamorgan Hospital, Llantrisant.

2.8 From our review of specific projects in the capital programme we found that NHS trusts in Wales had achieved mixed success in delivering capital projects for the modernisation and upgrading of their estate to time, cost and quality. NHS trusts had completed nearly 20 major estate modernisation and renewal projects in the period 1992-93 to 2001-02 at a combined project cost of over £200 million. However, problems had occurred with delivery to time and cost. For example:

- the construction of the Royal Glamorgan Hospital was completed a year later than planned and £20 million (24 per cent) over its original £82 million budget **(Figure 3)**;
- forecast overspends on several other estate-related schemes, for example,
  - a £1.6 million (30 per cent) anticipated overspend on the £5.3 million project to link the University Hospital Wales, Cardiff, with the A48, and
  - a £340,000 (19 per cent) anticipated overspend on the £1.8 million project for fire precautions at the University Dental Hospital, Cardiff;
- several schemes showed significant time slippage within and between years, for example work on asbestos decontamination works at the University Dental Hospital, Cardiff, has slipped from 2000-01 and 2001-02 into 2002-03 and subsequent years.

Figure 3 gives examples of the range of centrally funded capital projects completed in recent years, costing from £1 million to £100 million, and notes how successfully they were delivered.

Figure 3

Examples of directly funded capital projects in the NHS Wales

Royal Glamorgan Hospital (£100 million project)

Plans for a new hospital in Mid Glamorgan began in earnest in the late 1980s, to be funded from the all-Wales capital programme. The Welsh Office NHS Wales Department gave approval in principle to the project in 1990, with the main hospital scheme programmed for completion in summer 1998. The total budget for the Royal Glamorgan Hospital site development was £82 million, of which the construction contract for the hospital building was the largest single element. Tenders for the construction of the hospital were invited in May 1994 and work started on the main hospital phase in November 1994, with completion scheduled for May 1998 (a contract period of 185 weeks, or three and a half years) for the sum of nearly £40 million. Following delays in the works during construction the contract completion date was extended to April 1999 (an extension of 50 weeks). Following cost increases a revised contract sum of £58 million, including a variation of price element of £4.3 million, was settled. The overall project was delivered a year later than planned (a 27 per cent over-run on time) and cost £102 million, some £20 million over the original budget (a 24 per cent increase in costs).

The Assembly is carrying out a comprehensive review of the project to identify the principal factors that contributed to the time and cost over-runs and to highlight the main lessons learned to improve procurement performance in the future. The review is being carried out by NHS Estates, England, under a steering group chaired by the Assembly permanent secretary. A report of the results of this review is due to be published later in 2002. The lessons learned are being incorporated into the latest version of the Capital Investment Manual.

Transfer of the Accident and Emergency Unit from Cardiff Royal Infirmary to University of Wales Hospital, Cardiff (£20 million project)

The Cardiff Royal Infirmary is a Victorian building, with estimated backlog maintenance costs of £34 million, mainly relating to fire risks. Plans to decommission the Cardiff Royal Infirmary and relocate its acute services onto the University Hospital of Wales site were first made in 1994. The relocation of the accident and emergency unit involved moving one of the largest of such units in the United Kingdom and fitting the relocated services largely into an existing building envelope. Following a space utilisation survey, which identified potential for making better use of the existing building configuration, the project was successfully completed by, among other things, relocating the front entrance to what used to be the rear of the hospital and converting a basement car park into habitable accommodation. The transfer of the accident and emergency unit was completed in 1999, within the planned time scale but marginally over the £20 million budget. The transfer generated a £4 million recurring revenue saving for the Cardiff and Vale NHS Trust which is being reinvested in patient care. The Cardiff Royal Infirmary is still partly in operational use pending decisions on the future location of the remaining health care services on the site.

North Wales medium secure unit, Tŷ Llewelyn, Llanfairfechan (£5 million project)

After lengthy consultation, the former Welsh Office agreed to build a 25 bed medium secure unit for North Wales. This was to provide a facility for people who could not be cared for in local psychiatric hospitals but whose behaviour was not sufficiently dangerous to warrant admission to one of the special hospitals. In 1994, the former Gwynedd Community Health trust took responsibility for developing the bid for capital investment. The outline business case proposed to build the unit on the site of Bryn-y-Neuadd Hospital, Llanfairfechan. In December 1994 the trust advertised for tenders to build and manage the new facility as a private finance initiative scheme, but all five applications were rejected as unacceptable. A directly funded option was developed, in line with NHS Capital Investment Manual requirements, for which a full business case was completed in January 1996 at an estimated cost of £4.3 million, including VAT. Construction of Tŷ Llewelyn was funded through the all Wales capital programme. The unit was completed in 1998 at a cost of £4.6 million. Enhanced security measures were installed in 2000 at an additional cost of nearly £300,000.

Bronllys acute mental illness unit (£1 million project)

The Powys mental health strategy of developing local services across the county of Powys and the closure of Mid Wales Hospital, Talgarth, resulted in the need for a new 29 bed acute mental illness unit at Bronllys Hospital. A design and build solution was chosen and construction of the unit was completed in 31 weeks in 1999 for just under £1 million. The unit opened in March 2000.

Source: National Assembly for Wales and NHS Wales

2.9 Key reviews of the procurement and delivery of construction projects in the United Kingdom by Sir Michael Latham, *Constructing the Team* (1994), and Sir John Egan, *Rethinking Construction* (1998), have emphasised the potential to improve construction performance through adopting partnering practices. Over many years the National Audit Office has published a number of reports on the management by public sector bodies of individual construction projects. In January 2001 the National Audit Office published a general report, *Modernising Construction*, highlighting good practice being adopted by departments and industry that could improve construction performance and achieve better value for money. That report drew attention to the following broad points:

- value for money means securing a construction that is fit for purpose, fulfils user needs and achieves a balance between quality and costs throughout its whole life, which is not the same as simply accepting the lowest price tender;

- clients and all those involved in the design and construction process need to work more closely together with more sharing of information, clear and agreed targets and incentives and a commitment to continuous improvement to achieve success; and
- the entire supply chain, including clients, professional advisers, designers, contractors, sub-contractors and suppliers of materials, needs to be integrated to manage risk, improve the value of projects, encourage innovation and drive out waste.

We would encourage those responsible and accountable for construction projects in NHS Wales trusts to bear these points in mind when setting up and managing their individual projects.

2.10 We would also encourage project sponsors and project managers to consider the conclusions and recommendations of the Committee of Public Accounts in its recent report on *Improving Construction Performance* (HC 337 2001-02, 5 December 2001), specifically its conclusions and recommendations that:

- to avoid problems arising from acceptance of lowest price tenders by departments, whereby contractors seek to recoup profit margins through variations and claims for additional work, better value for money may be found by looking beyond the lowest price, as long as the improvements to be secured are clearly identified and closely monitored;
- longer-term collaborative relationships between departments and contractors have the potential to improve value for money, but departments need to put in place sound arrangements to ensure continuous, measurable improvements in performance are achieved over the lifetime of the relationship; and
- to ensure that they improve their performance in managing construction projects departments require reliable information so that progress can be monitored and corrective action taken when necessary.

2.11 In drawing attention to these considerations we note that, in Wales, individual trusts do not usually have programmes of work that are sufficiently continuous or substantial to make it easy for them to develop such in-depth and long-term relationships with construction contractors. We therefore look to the Assembly's NHS Wales Department and Welsh Health Estates to support trusts in this matter on an all-Wales basis. We also acknowledge the observation from Welsh Health Estates that problems arise from accepting unrealistic tenders rather than the lowest tenders. And we endorse Welsh Health Estates' view that good quality monitoring, feedback, cost-planning and decisive pre-contract action can prevent acceptance of unrealistic tenders.

Projects involving private finance

2.12 Private finance initiative projects involve investment by private sector companies in the provision and operation of facilities or services, coupled with the acceptance of risk, in return for financial gain in the form of either a charge or receipt of income from fees or rent. In 1995 the then Secretary of State for Wales decided, in providing new resources for capital modernisation for the NHS Wales, to move away from using direct capital spending to using revenue spending, and to rely on the private finance initiative as the main vehicle for new investment funding. Following its creation, the Assembly has confirmed that the private finance initiative approach would continue to be part of public sector capital investment in Wales, particularly for relatively large projects, in the context of a strategic framework for long term capital investment in Wales.

2.13 The NHS Capital Investment Manual states that no funds will be made available to a NHS body for a capital project unless that body has first explored the possibility of using the private finance initiative route for the investment concerned. The Assembly has a Private Finance Unit that provides advice on private finance initiative issues. Since early 2001, the NHS Capital and Estates branch in the NHS Wales Department has allocated one member of staff to private finance initiative matters, who spends about half their time on this work, linking with the Assembly's Private Finance Unit and with NHS trusts. Most private finance initiative projects in the NHS Wales are developed and managed by trusts within their delegated powers. Projects above trusts' individual delegated limits (either £1 million or £2 million, depending on whether the trust's turnover is less than or greater than £80 million) are subject to Assembly approval.

NHS Wales performance in developing private finance initiative projects

2.14 At December 2001, some 20 private finance initiative schemes were under consideration or under contract relating to the NHS Wales estate. At 31 March 2001, ten private finance initiative contracts were reported by six trusts in their

annual accounts (Bro Morgannwg, Cardiff and Vale, Carmarthenshire, Gwent Healthcare, Pembrokeshire and Derwen, Pontypridd and Rhondda). These projects had a total estimated capital value of around £110 million and the trusts are committed to pay some £13 million in annual payments under the contracts. Six of these projects were less than five million in capital value, and included projects for staff accommodation, car parking and energy provision. About half of the projects currently under consideration or operational included land transfers to the private sector companies as part of the deal. The Cardiff and Vale NHS Trust has the most private finance initiative contracts of any trust in Wales, with an aggregate capital value of some £50 million.

2.15 **Figure 4** lists examples of private finance initiative projects in the NHS Wales currently operational. **Figure 5** gives more details of three major hospital projects in the NHS Wales with a capital value of £10 million or more. From our review of private finance initiative projects in the NHS Wales we found that:

- compared with England, there are relatively few major private finance initiative hospital building schemes in place in the NHS Wales, most of the schemes that are underway being minor support facility schemes;
- officials in the Assembly and at trusts were concerned about the relative attractiveness of the NHS Wales to private sector capital and consortia interested in developing private finance initiative schemes for healthcare facilities, and about the administrative demands placed upon both trusts and private sector bidders by the private finance initiative procurement process;
- of the major hospital private finance initiative schemes completed in Wales at the time of our examination, Chepstow Community Hospital was delivered broadly on time and to quality, and its associated public sector costs were within budget, and St David's Hospital, Cardiff, was opened three months later than planned; and
- at 31 March 2002, none of the major private finance initiative contracts operational within the NHS Wales included clauses providing for NHS Wales bodies to share in excess profits made by the contractors through refinancing, as they were negotiated before such clawback clauses became standard for private finance initiative contracts. However the Neath Port Talbot Hospital contract did include a clause for sharing any excess profits that might result from the sale of the Neath General Hospital and Port Talbot General Hospital sites that are included in the deal.

Figure 4

Examples of private finance initiative (PFI) projects in the NHS Wales

Project	Total capital value (£m)[1]	Annual service payments (£m)[2]	Contract duration (years)	Opened or due to open
Neath Port Talbot Hospital (Baglan Moor)	66	10	27.5	Autumn 2002
St David's Hospital, Cardiff	16.5	2	30	March 2002
Chepstow Community Hospital	10	1.2	25	October 2000
University Hospital Wales, Cardiff, car park schemes	10	s-f	20	1994 and 1996
Royal Glamorgan Hospital, staff accommodation	2.5	s-f	35	September 1999

NOTES

1. Approximate capital value as built by the private sector.
2. The annual revenue service payments over the life of the contract (s-f means the project is self-financing) at 2001 prices.
3. The figures relating to the separate projects are not directly comparable due to significant differences in the deals and the contracts in each case.

Source: National Assembly for Wales and NHS Wales trusts

Figure 5

Private finance initiative hospital projects in the NHS Wales - £10 million or more in capital value

Neath Port Talbot Hospital, Baglan Moor (Bro Morgannwg NHS Trust)

The project is for the provision of a new local general hospital at an estimated capital cost to the private sector consortium of £66 million. The contract for the private sector consortium to design, build, finance and operate the hospital was signed in May 2000 and is the largest private finance initiative contract for the NHS Wales to date. The contract includes a land transfer element. Work began on site in May 2000 and the hospital is due to admit its first patients in Autumn 2002. It will provide 270 beds and a full range of outpatient, diagnostic, rehabilitation and day services together with a free standing mental health unit. The annual charge to the trust for the hospital will be £10 million. Proposals for building a new hospital were first published in 1986. The former Welsh Office approved the outline business case for the development in January 1997. The full business case was submitted by Bro Morgannwg NHS Trust, with the support of Iechyd Morgannwg Health Authority, in November 1999, and was approved by the Assembly in December 1999. The project is intended to meet the growing need for health care services in the area by replacing both the existing Neath and Port Talbot general hospitals with a single new facility, as a more cost effective solution than remedying deficiencies in the fabric of those two hospitals.

St David's Hospital, Cardiff (Cardiff and Vale NHS Trust)

The former South Glamorgan Health Authority gave approval in principle for a community hospital on the St. David's Hospital site, Cardiff, in November 1991. The hospital will provide services for older people, services for people with mental health problems, acute outreach outpatient clinics, rehabilitation services, dental services, and children's services. In December 1998 Cardiff and District Community NHS Trust (now part of Cardiff and Vale NHS Trust) chose a consortium to work in partnership to develop a 100 bed community hospital, at a total contract value of £16 million. The contract for this new development, the first new hospital in Cardiff for more than 30 years, was signed in March 2000. The contract involved a land transfer as part of the deal. The hospital opened in March 2002, just over two months later than its original planned opening date. The annual charge for the hospital will be some £2 million.

Chepstow Community Hospital (Gwent Healthcare NHS Trust)

A new community hospital and primary care facility was built at an estimated capital cost to the private sector consortium of £10 million. The project was the first private finance initiative scheme in the NHS Wales. The contract to design, build, finance and operate the hospital was signed in February 1998. The contract included a land transfer element. Work began on site in August 1998 and was completed in February 2000, slightly behind schedule. The costs to the trust of managing the design and build stage of the contract were some £450,000. The hospital was built on the site of the former Mount Pleasant Hospital. It provides 86 beds together with outpatient, diagnostic and therapy departments while also providing rehabilitation services and catering for elderly patients. Two general practices are also on the site, sharing facilities with the community hospital. The private sector consortium is contracted to provide healthcare facilities at the site for the next 25 years at an annual charge of £1.2 million to the trust. The trust estimates that it will incur ongoing management costs of some £20,000 a year over the life of the contract on top of this.

Source: NHS Wales and National Assembly for Wales

Advice and guidance on private finance initiative projects available to NHS Wales trusts

2.16 We also looked at the availability of technical advice and support for trusts in developing and managing private finance initiative schemes in the NHS Wales. The Treasury and the Office of Government Commerce publish general guidance on private finance initiative schemes. The NHS England Private Finance Unit publishes NHS wide guidance for the health sector. The Assembly's Private Finance Unit website provides further guidance and information about developments in Wales. In April 2002 the NHS Wales Department issued two circulars on private finance initiative policy as advice for trusts in Wales on the status and applicability of United Kingdom wide guidance on the public finance initiative.

2.17 On the dissemination and sharing of guidance and experience on private finance initiative projects in the NHS Wales, we found that:

- the Assembly's Private Finance Unit had not been greatly involved in providing central advice and guidance to the NHS Wales relating to private finance initiative projects. The Assembly intends to improve the co-ordination of its internal resources devoted to supporting investment through partnership in Wales and increase the staffing of its private finance unit to enable such projects to be managed in a more strategic manner and to provide greater support and guidance to the project boards that manage individual schemes;

- trust staff involved in considering property modernisation and renewal options had experienced difficulties with identifying and obtaining relevant detailed practical guidance and advice to help them develop public private partnership and private finance initiative schemes at trust level;
- guidance relating to the accounting treatment of private finance initiative projects had changed since the mid 1990s, leading to the need for some trusts to make valuation and disclosure adjustments relating to such schemes. For example, Cardiff and Vale NHS Trust have had to apply retrospective treatment in its 2000-01 accounts for a previously undisclosed loss of £1.6 million in respect of the construction of a car park on the University Hospital of Wales site;
- there was relatively limited sharing of experience and lessons learned between NHS trusts in Wales about managing private finance initiative projects, although individual trusts had become more experienced in managing such projects; for example, Cardiff and Vale, Bro Morgannwg and Gwent Healthcare NHS trusts.

2.18 The National Audit Office has published a number of reports on the management of individual private finance projects in England, including *The PFI Contract for the new Dartford and Gravesham Hospital* (May 1999). It has also published a general report highlighting good practice in procuring private finance initiative services and facilities and how to assess the value for money of such deals (*Examining the value for money of deals under the Private Finance Initiative*, August 1999).

2.19 More recently the National Audit Office has completed an examination of the key issues that public bodies, as contracting authorities, need to keep in mind to achieve successful results when developing and managing relationships with contractors providing private finance initiative services or facilities. That report, *Managing the relationship to secure a successful partnership in PFI projects*, published in November 2001, drew attention to the following success factors:

- authorities and contractors should balance both contractual and relationship issues to approach projects in a spirit of partnership, and by understanding each others' businesses

and regularly reassessing the value for money of their projects, identify ways to improve relationships during the life of projects;

- appropriate procedures for dealing with contractual changes (which can arise in relation to specification, new services, additional building work or design changes and performance measurement arrangements) should be built into the contract; and
- authorities should have in place staff with the right skills to manage private finance initiative projects and give early attention to staffing, training and contract management issues in the procurement process.

We would encourage those responsible and accountable for private finance initiative projects in NHS Wales trusts to bear these factors in mind in setting up and managing their individual projects, and to consider the good practice guidance highlighted in previous National Audit Office reports.

Key points: on programmes to renew property on the NHS Wales estate

- The difficult financial positions of many trusts and health authorities in Wales in recent years and the stresses of reconfiguration have meant that the renewal of the estate has not generally been a high corporate priority, other than in response to the need to address urgent health and safety concerns.
- The allocation by the Assembly and the Welsh Office before it of direct publicly funded capital for spending on the NHS Wales estate steadily reduced from a high of around £128 million in 1992-93 to a low of some £73 million in 2000-01. This represented a 43 per cent drop in cash terms (over 50 per cent in real terms).
- Between 1992-93 and 2001-02, NHS trusts have completed nearly 20 major estate modernisation and renewal projects at a combined project cost of over £200 million. But trusts have had mixed success with managing directly funded capital projects over this period, in terms of delivery to specification, to time and within budget.
- It is still early days for private finance initiative hospitals in the NHS Wales. Most individual schemes in the NHS Wales are for projects of less than £5 million in capital value and are for the provision of support services and facilities. The largest project, the £66 million Neath Port Talbot Hospital, is due to open in Autumn 2002.
- Assembly guidance for NHS Wales trusts and health authorities on policy and practices for developing and undertaking private finance initiative projects is weak and sharing of lessons learned between trusts, health authorities and the Assembly is underdeveloped. The Assembly's NHS Wales Department has recently issued advice to NHS Wales trusts on the status and applicability in Wales of United Kingdom wide guidance on the public finance initiative.

We recommend that:

- NHS trusts tighten their management grip of directly funded estate investment projects to ensure that they are delivered to quality, on time and within budget;
- the Assembly's NHS Wales Department assist NHS trusts in Wales in building up experience in handling private finance initiative projects and contracts, including promoting relevant guidance and the sharing of lessons learned; and
- the Assembly's NHS Wales Department and NHS Wales trusts make greater efforts in seeking to attract private capital for hospital renewal projects, and consider the scope for streamlining bidding and administrative processes, without compromising public accountability and good practice principles.

Scrutiny and monitoring of major property procurement projects

2.20 The fifteen NHS trusts in Wales have primary responsibility for developing and implementing new investment schemes to improve their health care estate. The five health authorities in Wales are directly involved with trusts in developing schemes and are responsible for confirming the acceptability and affordability of capital investment schemes, in the context of their regional health care objectives and priorities. Major publicly funded capital schemes and schemes involving private capital are scrutinised, approved and monitored by the Assembly's NHS Wales Department in accordance with well established guidance and procedures.

Approval of major property procurement schemes

2.21 The National Audit Office Wales reviewed the project scrutiny and approval arrangements for major property procurement schemes. To do this we discussed the arrangements with relevant staff in NHS trusts (on our visits to trusts and in our focus groups), at Welsh Health Estates and with Assembly officials. We also reviewed a number of business cases for major property procurement projects.

2.22 On the project approval process we found that:

- the Auditor General's earlier report on *Managing the Estate of the National Health Service in Wales*, published in November 2001, found that there was no overarching strategy for the NHS estate as a whole, and a lack of robust and up to date local estate strategies at NHS trust and health authority level. As a consequence, individual submissions for major property procurement projects were being scrutinised and approved in isolation and without reference to a robust, fully developed strategic framework for the NHS Wales as a whole. All NHS trusts in Wales have since produced local estate strategies and the Assembly's NHS Wales Department plans to prepare a national estates strategic framework in Summer 2002;
- trusts expressed frustrations regarding the time taken by Assembly officials to consider and approve submissions and about the poor quality of feedback on the content of the submissions;
- for their part, Assembly officials expressed concerns about the quality of trusts' submissions and about tactical behaviour by trusts in reporting surplus property only when such property was linked to new procurement schemes;
- nevertheless we also found instances where trust, Assembly and Welsh Health Estates officials worked together informally to ensure the smooth passage of submissions through the project scrutiny and approval process.

Capital programme monitoring

2.23 The NHS Wales Department operates a capital expenditure monitoring system for the forecasting and reporting of capital expenditure by NHS trusts in Wales on all major, centrally funded construction projects. Under the central capital expenditure monitoring system, trusts are required to submit detailed quarterly returns to Welsh Health Estates who produce a summary report for the Assembly's NHS Wales Department. The objectives of the system are to:

- operate as a financial control by comparing estimated outturn costs with sums approved by the Assembly and the former Welsh Office, to highlight variances and prompt action if necessary; and
- provide capital expenditure forecasts for current and future years that are as accurate as possible and that can be quickly updated in response to new information.

2.24 We reviewed the workings of the capital expenditure monitoring system, concentrating on the monitoring returns for 2000-01 and 2001-02 and found that:

- neither the Assembly nor health authorities directly monitored trusts' discretionary capital expenditure, which amounted to around half of annual capital spending by the NHS Wales in recent years;
- information provided by the NHS Wales Department to Welsh Health Estates about the sums approved for expenditure on individual schemes was both out of date and either incomplete or insufficiently detailed to facilitate the monitoring process. Because of this, Welsh Health Estates could not identify whether or not approved levels of expenditure were actually being exceeded for the majority of schemes listed in the capital expenditure returns;

- trusts were generally poor at submitting their capital expenditure returns by the specified dates, which meant that the returns were often incomplete and inaccurate;
- individual schemes were often reported by trusts with forecast outturn costs above that recorded by the trusts themselves as approved by the Assembly or the Welsh Office before it; and
- some trusts have had individual schemes within the programme reassessed for value-added tax by the Customs and Excise after approval of scheme costs by the Assembly at higher levels of tax liability. This has enabled these trusts to create substantial additional contingency funds on individual projects and has a distorting effect on the overall capital programme. There is no formal process governing the reclaiming of value-added tax by trusts, although improvements to the project scrutiny and monitoring process were introduced late in 2001 to ensure greater visibility over this matter by Welsh Health Estates and the NHS Wales Department.

2.25 In November 2001 the Assembly's NHS Wales Department issued new guidance on capital expenditure monitoring arrangements designed to improve the quality and timeliness of reporting by NHS trusts, with immediate effect. This measure is already having an impact in improving the quality and timeliness of monitoring information. In our view, however, there is further scope for improvement in the capital monitoring system to make it more effective. In particular, extending the scope of monitoring to include trusts' discretionary capital, half by value of the entire capital programme, would improve both the financial control and forecasting of capital expenditure on the NHS Wales estate. We would not expect the NHS Wales Department to monitor individual schemes in detail or to influence the timing or control of spending, but rather envisage an appropriate high level system of monitoring, perhaps in the form of an annual summary statement from each trust on scheme progress.

Key points: on scrutiny and monitoring of major property procurement projects

- Individual projects are approved on their own merits in accordance with established procedures. However, in the absence of a coherent strategic framework for the NHS Wales as a whole, there is a significant risk that major public expenditure commitments may be made to address short term or historic problems rather than strategic future needs.
- The arrangements for monitoring capital expenditure do not provide an effective financial control or a forecasting tool. This is because the information provided to Welsh Health Estates is either incomplete or late. We note that the Assembly's NHS Wales Department has taken steps recently to improve the process for monitoring its centrally managed expenditure on major capital projects.
- The Assembly's NHS Wales Department has little visibility over discretionary capital spending by trusts, or the progress of projects funded under the current discretionary capital allocation arrangements. At around £50 million a year, discretionary capital allocations have since 1998-99 accounted for just over half the Assembly's overall direct capital investment in the NHS estate.

We recommend that:

- the Assembly's NHS Wales Department and Welsh Health Estates institute a formal business process to govern the applicability of value-added tax rules to trusts and to capital investment schemes, and issue appropriate guidance to NHS trusts in Wales on this matter to improve the project scrutiny and monitoring process;
- the Assembly's NHS Wales Department devise an appropriate high level system for monitoring trusts' discretionary capital, to complement its monitoring of the centrally funded programme, perhaps in the form of an annual summary statement from each trust on scheme progress. We do not consider that this would compromise trusts' discretion in making capital expenditure decisions, but should improve the overall review and management of the capital programme;
- NHS Wales trusts and the Assembly's NHS Wales Department improve the provision of information to Welsh Health Estates to facilitate more effective monitoring of capital expenditure on estate related projects in the NHS Wales; and
- the Assembly's NHS Wales Department consider the scope for streamlining the project scrutiny and approval system for major strategic property procurement projects and review the capital investment and prioritisation process to this effect.

PART 3 PROPERTY DISPOSAL

3.1 The Assembly requires each property holding body in the NHS Wales to plan and manage estate rationalisation on a continuous basis, including identifying and disposing of surplus property. In addition the Assembly is seeking to generate income from the sale of surplus NHS properties in Wales to help fund its NHS Wales capital programme. This part of the report reviews the performance of the NHS Wales in:

- identifying properties on the NHS Wales estate as surplus to requirements; and
- selling NHS Wales properties once they have been identified as surplus.

3.2 This report takes account of an Assembly and NHS Wales task team that reviewed the identification and disposal of surplus NHS properties in Wales during 2000-01. The team reported in June 2001 and its recommendations were accepted by the Welsh Assembly Government in October 2001. This report also takes account of a parallel examination by the National Audit Office study on behalf of the Comptroller and Auditor General, *The Management of Surplus Property by Trusts in the NHS in England*.

Identifying properties as surplus to requirements

3.3 NHS wide guidance states that NHS bodies should only retain property that is required to enable them to fulfil their functions. The main driver behind identifying properties on the NHS Wales estate as surplus to requirements is changing service need. Health authorities are obliged to undertake public consultation on substantial variations to health care services in their areas. NHS trusts refer issues of substantial changes in service, including the closure of specific sites, to health authorities, which decide on the need to consult. Once a property has been identified as no longer required for NHS use it should be declared surplus to operational needs by the body that owns or occupies it and sold. In practice, health authorities and trusts in Wales consult widely with partners in the NHS Wales and other affected and interested parties before formally declaring properties as surplus to service requirements.

3.4 We reviewed the performance of health authorities and trusts in identifying properties on the NHS Wales estate as surplus to requirements. We also looked at the incentive arrangements operated by the Assembly to encourage health authorities and trusts to identify surplus properties for disposal. The performance of health authorities and trusts in selling properties once declared surplus is dealt with at paragraphs 3.29-3.47.

Service developments affecting the NHS Wales estate since 1990

3.5 The five health authorities in Wales are responsible for assessing the health care needs of the populations in their areas and deciding on the location of the health care services provided by the fifteen NHS trusts in Wales. Major health service developments since 1990 have altered the requirement for hospitals and related properties within the NHS Wales estate. The most significant of the service developments affecting the size and composition of the NHS Wales estate have been:

- less long stay hospital accommodation as a result of the growth in provision for care in the community following the NHS and Community Care Act 1990, with services for the elderly increasingly provided by local authority and private sector nursing or residential homes and services for those with learning disabilities increasingly provided in community settings;
- less acute in-patient accommodation following increased provision of day case surgery (which has grown by over 50 per cent in the last five years) and increased care provided in community settings; and
- the running down, closure and disposal of large psychiatric institutions, with acute mental health services now generally located in smaller units, some of which are attached to district general hospitals, and with residential care being provided by local authorities and the voluntary sector.

Residual estate managed by health authorities

3.6 Prior to the establishment of the first NHS trusts in Wales in 1992, all NHS properties in Wales were owned by the Secretary of State for Wales but were directly managed by the health authorities. On the formation of trusts, between 1992 and 1996, health authorities in Wales continued to manage, on the Secretary of State's behalf, those properties not transferred to the trusts. The estate left under health authority management were primarily properties deemed surplus to long term health care requirements, known as the residual estate.

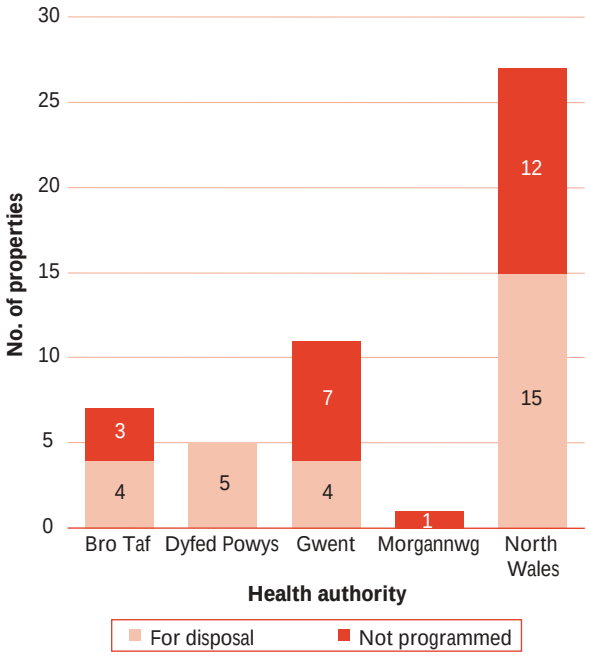
3.7 Following the transfer of functions from the Secretary of State to the Assembly in 1999, the Assembly assumed ownership of the NHS Wales property assets not owned by trusts. The health authorities continued to manage these residual estate assets on behalf of the Assembly under delegated powers. This differs from the situation in England where, since 1999, NHS Estates, an executive agency of the Department of Health, has managed the disposal of substantial surplus properties on the so-called retained estate that were not transferred to NHS trusts as they were created.

3.8 We examined the performance of the five health authorities in Wales with identifying and scheduling for disposal those residual estate properties managed by them on the Assembly's behalf. We based our review on the period from December 1995 (at which point baseline information was available) to 31 March 2002. We found that:

- in December 1995, there were 122 residual properties in the NHS Wales estate, with an estimated market value at that time of £63 million, of which 72 properties had completed appropriate public consultation on closure and were available for sale;
- at 31 March 2002 there were 51 residual estate properties managed by health authorities on the Assembly's behalf **(Figure 6)**, with an estimated open market value of some £47 million based on the District Valuer's assessment **(Figure 7);**
- 28 (55 per cent) of these 51 properties were scheduled for disposal in 2002-03 and future years and the remaining 23 (45 per cent) were not scheduled for disposal;
- of the 23 residual estate properties not scheduled for disposal at 31 March 2002, 15 (two thirds) were occupied or leased by trusts to provide health care services, with over half of these (8) in North Wales Health Authority where they have been leased to trusts since 1995 on five or ten year contracts.

Figure 6

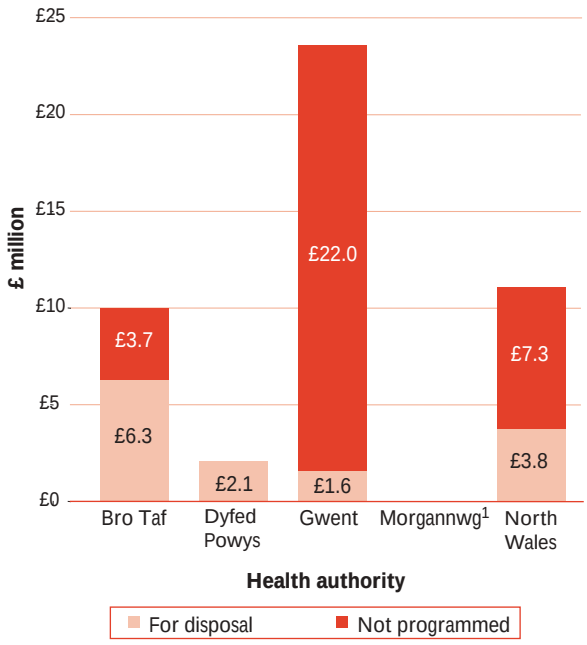
Residual estate properties held by health authorities at 31 March 2002



Source: National Assembly for Wales, March 2001

Figure 7

Open Market value of residual estate properties held by health authorities at 31 March 2002



NOTE

1. Value of property at lechyd Morgannwg Health Authority is £25,000.

Source: National Assembly for Wales, March 2001

3.9 **Figure 8** gives examples of hospitals designated as residual estate to illustrate the variety of those properties and the circumstances that led to their being identified as surplus to requirements. They show that:

- significant time can elapse from the introduction of strategic service changes to the formal declaration of specific properties as surplus, due to consultation and managing the transfer of patients and staff from old properties to new ones (e.g., St David's Hospital, Carmarthen, and Llanfrechfa Grange Hospital, Cwmbran);
- significant costs may be involved in re-providing services as a result of service changes, although the costs and benefits of closure and re-provision are scrutinised and approved through formal business case processes (e.g. Llanfrechfa Grange Hospital, Cwmbran); and
- the age and location of some sites can act as constraints on their disposal, particularly regarding conservation area and listed building status (e.g., St David's Hospital, Carmarthen).

Figure 8

Example of hospitals identified as residual estate because of health care service developments

St David's Hospital, Carmarthen

St David's Hospital started life in the nineteenth century as a purpose built county asylum, designed as a large, self-contained and self-sufficient institution set in extensive grounds. It continued to provide care services for people with mental health problems and learning difficulties during the twentieth century. Following the Wales Mental Illness Strategy in 1989 these care services were progressively provided in smaller, more local units. In the early 1990's the former East Dyfed Mental Health Unit and its successor the Derwen NHS Trust developed a series of strategic initiatives to address the reprovision of the hospital's services that would lead to its eventual closure. The site was classified as residual estate at that time and its decommissioning and disposal became the responsibility of Dyfed Powys Health Authority. Between 1996 and 2000, the trust, health authority, former Welsh Office and Assembly developed, considered, rejected and approved various business cases for the reprovision of the remaining clinical services from St David's to other sites in Carmarthen, Llanelli and Pembrokeshire, including undertaking public consultation. Dyfed Powys Health Authority formally declared the hospital to be surplus to NHS requirements in April 1999. The Assembly approved the outline business case for service reprovision in November 1999 and the full business case for the first phase of the reprovision in July 2000. The health authority put the site on the market in 2001. The site is still predominantly commissioned pending final closure, now planned for 2004. The site is in a conservation area and several of the buildings on it, and most of the internal area within them, are listed.

Llanfrechfa Grange Hospital, Cwmbran

Llanfrechfa Grange hospital was originally taken over by the NHS Wales from the local authority as a maternity hospital before becoming a treatment centre for mental deficiency and learning disabilities. The hospital was identified as residual estate because of the community care and mental health care developments in Wales that took place during the 1990s. Gwent Health Authority is managing the disposal of the site. The site is not yet formally programmed for disposal but has been subject to a recent public consultation process with the likelihood of closure in 2004, pending the outcome of a judicial review. The cost of re-providing services for people with learning disabilities in the locality could require capital investment of up to £2.5 million. The open market value of the residual estate element of the site is estimated to be some £7.5 million. Large numbers of NHS staff are now based at the site, due to the progressive closures of other properties and facilities in the area, and relocating them will take significant time and money.

Hensol Castle Hospital, Pontyclun

Hensol Castle Hospital near Pontyclun is a unit for people with a learning disability and is one of the final two long stay learning disability hospitals in the National Assembly's resettlement programme. From 2001-02, the Assembly will provide an additional £17 million over three years to support the resettlement of 80 or so residents. This will enable the final stage to be completed in 2004 and allow the hospital to close. A disposal team was appointed in January 2001 and they are pursuing a marketing strategy. The site includes significant Grade I listed buildings. The site has an estimated date of disposal in 2004 and an estimated open market value of several million pounds, though its sale price will depend on the likely final use of the site which will be subject to more detailed consideration of planning issues.

Source: NHS Wales and National Assembly for Wales

3.10 The Welsh Assembly Government has determined that responsibility for managing the disposal of the residual NHS estate in Wales (including handling planning issues and the appointment of professional advisors and agents) should transfer to a specialist corporate unit within Welsh Health Estates from 1 April 2002. The health authorities will continue to handle the day-to-day property management of the residual estate (including site maintenance and security) as before. The Assembly's NHS Wales Department intends to set and monitor performance targets for disposing of surplus properties in NHS Wales.

3.11 The Welsh Assembly Government plans to abolish the five health authorities in Wales by April 2003, subject to the enactment of primary and secondary legislation. The 22 Local Health Groups covering each local authority area will be strengthened to become statutory Local Health Boards. The details of these structural changes are being worked out. The implications of these changes for estate holding will need to be carefully thought through so that sound decisions are taken about the transfer of properties held by the health authorities on their abolition to ensure that the ensuing estate management arrangements safeguard value for money. In the light of the impending abolition of the health authorities, the Assembly's NHS Wales Department is looking at options for the management of residual estate properties. This includes considering the possible transfer to trusts of specific properties that are still in operational use, provided trusts can show that they have a long-term need for them and can afford to run them.

The identification of surplus properties held by NHS trusts in Wales

3.12 As the first NHS trusts were formed in Wales, from 1992 to 1996, they took control of the operational property assets necessary to provide health services in their localities, including responsibility for the identification and disposal of their own non-essential estate. The Welsh Assembly Government has determined that, from April 2002, responsibility for managing the disposal of NHS trusts' surplus property should remain with the trusts, but that the new specialist corporate unit within Welsh Health Estates should be closely involved in the disposal process.

3.13 NHS wide guidance advises trusts to take active and continuous steps to identify essential and non-essential property, in the context of developing service needs and through regular functional suitability surveys. The Assembly NHS Wales Directorate's estate management policy also requires that NHS Wales trusts identify essential and non-essential estate through a comprehensive and structured process. For estate management purposes, the NHS Wales classifies essential estate as property assessed as having a long-term use of five years or more.

3.14 Through our questionnaire survey we asked trusts to identify what proportion of the total area of the buildings and land they occupied they considered to be essential and non-essential. Fourteen of the fifteen trusts were able to do this. **Figure 9** shows the percentage of each trusts' total building area considered by them to be essential and **Figure 10** the percentage of trusts' land area considered by them to be essential. The figures show that:

for buildings

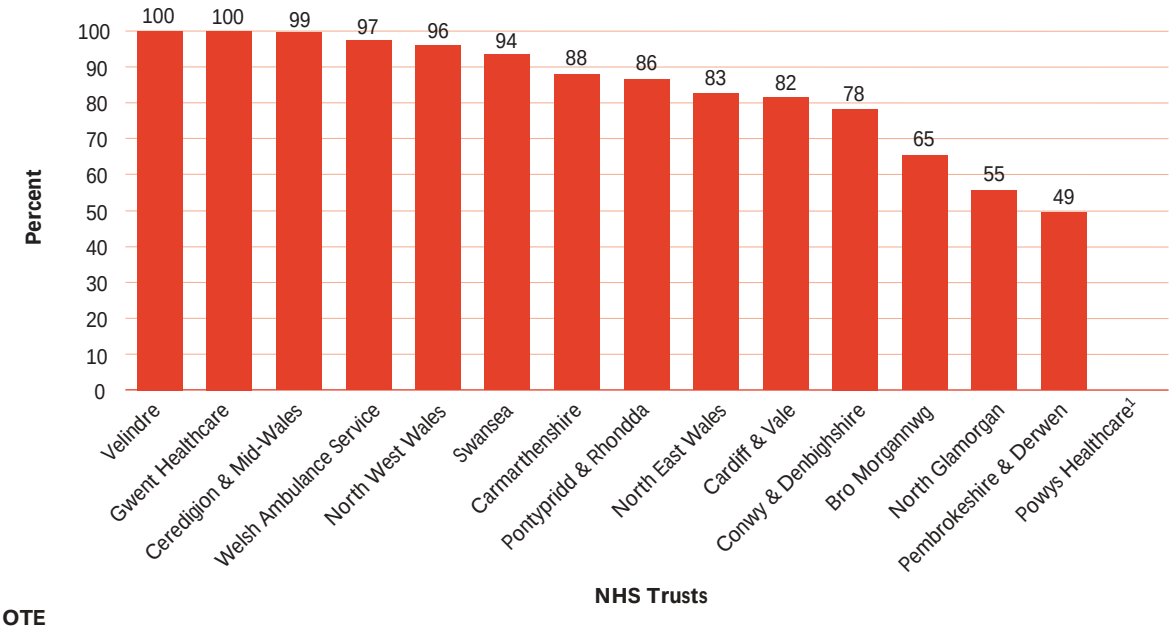
- six out of the 14 trusts that could provide information reported that over 90 per cent of their building areas were essential (Velindre, Welsh Ambulance Services, Gwent Healthcare, Swansea, North West Wales, Ceredigion and Mid Wales);
- three of these 14 trust designated between a half and two thirds of their building areas as essential and the remaining half to a third of building area as non-essential (Bro Morgannwg, Pembrokeshire and Derwen, North Glamorgan), although most of their non-essential building areas were either residual estate properties still in operational use by the trusts to varying extent or property already designated for disposal;

for land

- five of the 14 trusts reported that over 90 per cent of their land areas were essential (Velindre, Welsh Ambulance Services, Gwent Healthcare, North West Wales, and Ceredigion and Mid Wales);
- three of the 14 trusts stated that between a quarter and a third of their land areas was essential and the remainder non-essential, the same three trusts with the lowest proportion of essential buildings (Bro Morgannwg, Pembrokeshire and Derwen, North Glamorgan), and this too was mostly either residual estate or land designated for disposal associated with properties still in use by the trusts.

Figure 9

Essential building area



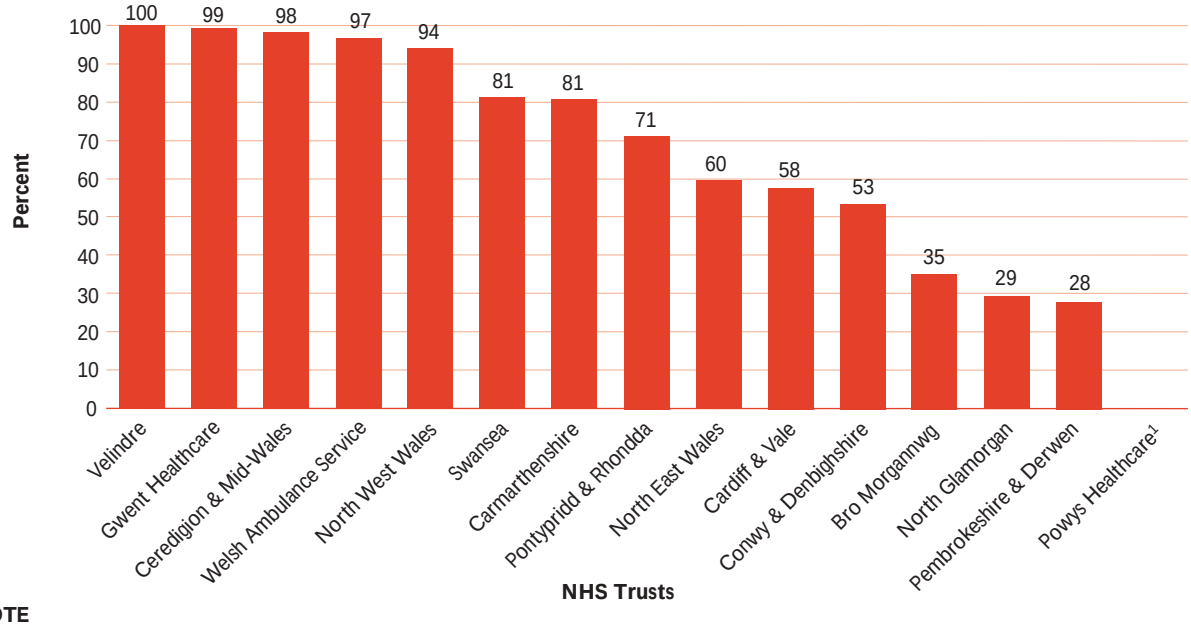
NOTE

1. No information provided in response to National Audit Office questionnaire

Source: National Audit Office Wales questionnaire survey (situation at 31 March 2000)

Figure 10

Essential land area



NOTE

1. No information provided in response to National Audit Office questionnaire

Source: National Audit Office Wales questionnaire survey (situation at 31 March 2000)

3.15 In broad terms, therefore, the majority of trust occupied property classified by them as non-essential is already identified for potential or actual disposal. In some cases the land and buildings classified by the trusts as non-essential includes health authority managed residual estate property that the trusts still occupy for operational reasons (e.g Hensol Castle Hospital, Pontyclun, Figure 8). In other cases it includes property that is operational but which will actually become surplus to requirements and be vacated when new facilities are procured to replace them (e.g Neath General Hospital and Port Talbot General Hospital, Figure 5).

3.16 **Figure 11** gives examples of properties held by NHS trusts in Wales and identified by them as non-essential to illustrate the variety of those properties and the circumstances that led to them being identified as surplus to requirements.

3.17 On our visits to NHS trusts in Wales, in our questionnaire survey and at our focus groups, we asked officials what were the main factors affecting the identification and scheduling of surplus property for disposal. The main factors they cited were:

- the time taken in public consultation and addressing local sensitivities relating to proposed hospital closures;
- poor incentive arrangements to encourage them to identify and dispose of non-essential estate assets;
- organisation and staffing constraints, limiting the resources available within trusts to give sufficient priority to the identification and disposal of surplus properties while handling other aspects of estate management.

3.18 Officials in the Assembly's NHS Wales Department told us that not much trust held property had been identified as surplus in recent years. They attributed this to the combined effect of the low level of capital provision for new premises and facilities and the poor level of incentive arrangements to dispose of surplus property. The NHS Wales Department now looks to trusts in Wales to improve their performance in identifying surplus properties. This is because more funds have been made available for capital investment in the NHS Wales estate from 2001-02 (see paragraph 2.2 and Figure 2) and because incentives for trusts to identify and dispose of surplus property have been increased from April 2002 (see paragraph 3.28).

Figure 11

Examples of trust-owned properties identified as surplus to requirements

Sully Hospital, Barry

Sully Hospital opened in 1936 as a purpose built hospital for the treatment of tuberculosis and later became a psychiatric hospital. It was closed in 2000 as a combined result of greater emphasis on care in the community, strategic developments with mental health provision in Wales, rationalisation of services in the Cardiff area and the poor condition of the hospital. Cardiff and Vale NHS Trust carried out a preliminary marketing exercise for the site in 2001, although the site has not yet been formally declared surplus to requirements. The site covers some 57 hectares, including 27 hectares of foreshore designated as a site of special scientific interest. The floor area of the hospital buildings is some 20,000 square metres and most of the hospital buildings are listed. Part of the site is leased (for 125 years) to Ty Hafren Childrens Hospice and part is leased (for 15 years) to a private incinerator company. The planning authority is the Vale of Glamorgan Council who have indicated a range of uses which may be considered in the development and reuse of the site, including hotel, offices, education, leisure and private hospital.

Gwaelodygarth House, Merthyr Tydfil

Gwaelodygarth House was built around 1809. It was acquired by the Hospital Board for Merthyr General Hospital after the Second World War and was used for various purposes until becoming a mental health resource centre. It is a Grade II listed property and had deteriorated to an extremely poor condition. It was vacated November 1999 and sold in 2001 for £170,000 of which £100,000 was retained by North Glamorgan Trust to reinvest in the remaining estate. The cost of the sale was £20,000 and the remaining £50,000 was returned to the Assembly to help fund the capital programme.

Whitchurch Clinic

This property was sold in 1999 by the former Cardiff and District NHS Trust (now part of Cardiff and Vale) to a housing developer for £118,000. The costs of sale were under £2000 and the trust retained £100,000 of the proceeds for reinvestment.

Source: NHS Wales and National Assembly for Wales

Further scope to identify surplus property on the NHS Wales estate

3.19 In our earlier report, *Managing the Estate of the National Health Service in Wales* (November 2001), we found that trusts assessed nearly a quarter of their estate as underused or empty (paragraph 3.37 of that report). We also found that trusts assessed a fifth of their estate as below standard or unacceptable in terms of fitness for purpose (paragraph 3.32 of that report). This suggested that there is considerable scope for trusts to rationalise their empty, underused and unsuitable accommodation so that properties could be released for sale. We estimated that there was scope to avoid some £25 million a year in running costs from making better use of underused property, putting empty property on minimum care and maintenance and by making underused and empty property available for disposal (paragraph 3.37 of that report).

3.20 In this present examination we looked at the scope for securing one-off capital receipts from the sale of underused and unsuitable property on the NHS Wales estate. We analysed the data on space utilisation and functional suitability reported in our earlier examination. We also analysed the data on essential and non-essential property holdings reported in this examination, allowing for the fact that this includes some residual estate properties. We took account of the fact that in reality underused and empty property does not come in conveniently marketable packages around the estate and the fact that our questionnaire data were on a trust by trust basis not a building by building basis. We also acknowledge that NHS trusts will need carefully to assess the results of their functional suitability and utilisation survey work to identify more property as surplus to requirements, and that realising capital receipts from this work will take time.

3.21 From our examination we estimate that property with a potential market value of up to £30 million could be made available for disposal through further rationalisation of accommodation on the NHS Wales estate, taking the above factors into consideration. These potential one-off capital receipts represent just over ten per cent of the market value of the whole NHS Wales estate (£270 million). They are over and above the properties that are currently identified by health authorities and trusts as actually or potentially surplus.

Incentives to encourage trusts to identify and dispose of surplus properties

3.22 The Assembly NHS Wales Department operates certain incentive arrangements to encourage trusts in Wales to keep their property holdings to the minimum required for operational purposes. These are the levying of capital charges and dispensation to retain a proportion of sale proceeds of properties related to proposals for new property procurement and investment.

Capital charges

3.23 NHS trusts pay capital charges (overheads on property assets that reflect their capital value) so that they are made aware of the cost of holding capital assets. One of the aims of capital charging is to provide an incentive for trusts to reduce their capital charge liabilities by identifying and disposing of land and buildings that are surplus to requirements. From 1998-99 all capital charges have been distributed on a formula basis, with capital charge funding allocations for any given year determined by the total of capital charges forecast for the year ahead.

3.24 On our visits to trusts we found that officials in estate and finance departments regarded the present system of capital charges as not providing an effective incentive for them to identify non-essential estate for decommissioning and disposal. Officials also commented that the capital charging arrangements complicated financial management decisions on the renewal and disposal of properties and made long term decision making difficult. This was mainly because they considered that the link between capital charges funding, estate costs and disposals was not clear enough under the current arrangements. We also found that the capital charging mechanism was considered by NHS Wales Department officials to be relatively ineffective at providing a direct incentive to NHS trusts to rationalise their estate holdings.

3.25 During 2000-01, a review team within the Assembly looked at the methodology for distributing funding for capital charges, as part of a wider review of resource allocation in the NHS Wales. The review team considered that, with the onset of resource budgeting from 2003-04, the present capital charging arrangements would provide sufficient real incentives in future for trusts to make the best use of their estate assets. This was because trusts' resource budgets will be fixed on a basis that reflects the capital charge commitments at the time, providing a more direct relationship between the disposal of properties and the reduction of capital charge liabilities. In our view, there may be merit in further consideration by the Assembly of the effectiveness of the capital charging arrangements for the NHS estate when resource budgeting has bedded in.

Trust retention of sale proceeds

3.26 At the start of our examination, Assembly NHS Wales Department arrangements allowed a trust to retain the first £100,000 or more of net proceeds from each sale if the trust could make a case to the NHS Wales Department that funding was needed for specific future developments within the trust. This provided an incentive for trusts to identify and dispose of surplus property as a way to secure funding for new investment in their estate.

3.27 We discussed the operation of this incentive arrangement with trust officials on our visits to individual trusts and at our focus groups. We also reviewed the properties that trusts had disposed of in 1999-2000 and 2000-01. We found that:

- trusts were allowed to retain the first £100,000 or more of net proceeds in all the 38 properties disposed of by them in 1999-2000 and 2000-01, suggesting that linking disposals to new investment proposals was operating as an effective incentive to identify surplus property;
- however, trust officials did not regard this arrangement as providing them with sufficient incentive to identify surplus property, because they considered the £100,000 threshold to be too low and the tie to specific redevelopment to be too restrictive; and
- trust and Assembly officials thought that this arrangement can encourage trusts to identify and declare surplus property only when linked to new investment schemes rather than continuously as a matter of good estate management practice.

3.28 In June 2001, the report by the NHS Wales task team that reviewed the identification and disposal of surplus NHS properties in Wales (see paragraph 3.2) recommended that clear financial incentives were needed to encourage NHS trusts in Wales to rationalise their estate to secure service improvements. The review team considered that a

significant increase in the £100,000 threshold was needed and the Welsh Assembly Government accepted their recommendation in October 2001. With effect from April 2002, trusts are able to retain receipts on individual sales up to the level of their delegated powers (either £1 million or £2 million depending on whether their turnover is less than or greater than £80 million respectively).

Selling surplus NHS Wales property

3.29 NHS wide guidance states that once a property has been declared surplus to requirements it should be sold as soon as possible and at the best price reasonably attainable. Properties should be sold through competitive tender or auction, and guide prices established by a suitably qualified person before properties are offered for sale. Before selling surplus property NHS bodies are required to seek suitable professional advice on its development potential and property with development potential should normally be sold with the benefit of local authority planning

Key points: on identifying property as surplus to requirements

- At 31 March 2002 there were 51 residual estate properties managed by health authorities on the Assembly's behalf, most of which were held by the North Wales and the Gwent health authorities, and some of which had been identified as surplus for many years;
- Three trusts (Bro Morgannwg, Pembrokeshire and Derwen, North Glamorgan) were holding the greatest amount of land and buildings identified by them as non-essential (i.e. as having no long-term use beyond five years). The majority of this non-essential estate was property already identified as surplus to requirements but still in operational use by the trusts to varying extent.
- We estimate that property with a potential market value of up to £30 million could be made available for disposal through further rationalisation of accommodation on the NHS Wales estate in due course. This is just over ten per cent of the total £270 million market value of the estate and is over and above the properties that are currently identified by health authorities and trusts as actually or potentially surplus. Disposing of this property would take time and involve costs to achieve.
- The Welsh Assembly Government has recently increased significantly the financial incentives to encourage NHS trusts in Wales to facilitate service improvements through estate rationalisation. From April 2002 trusts can retain receipts on individual property sales up to either £1 million or £2 million, depending on trust turnover.

We recommend that:

- the Assembly's NHS Wales Department review the use of all property originally classified as residual estate when trusts were formed but which is currently operational, fit for purpose and deemed to have long term use beyond five years, with a view to transferring ownership of such property to the local trust where appropriate;
- the Assembly's NHS Wales Department and NHS Wales property holding bodies robustly manage service partner and public consultation relating to health care developments and health facility closures by, for example, robustly managing public expectations and publicising costs and benefits, to avoid undue delay in the identification of surplus properties for disposal;
- NHS Wales trusts take early steps to undertake preliminary work on preparing to dispose of those properties that they have identified as non-essential but which have not yet been formally programmed for disposal, within the context of their estate strategies, irrespective of whether such properties are linked to new investment proposals;
- NHS Wales trusts actively consider the scope for rationalisation of their property holdings on a continuous basis, taking account of service developments and of functional suitability and space utilisation surveys of their estates, to identify and programme further property as potentially surplus to requirements;
- the Assembly's NHS Wales Department review the capital charging arrangements for the NHS Wales estate when resource budgeting has bedded in, to ensure that the arrangements are proving an effective incentive in practice for trusts to identify and dispose of land and buildings that are surplus to requirements; and
- the Assembly's NHS Wales Department monitor carefully the impact of its new incentive arrangements for trusts to identify and dispose of surplus property, whereby trusts can retain a proportion of sale proceeds.

permission for alternative use. Sale terms should be kept as simple as possible. The Assembly's NHS Wales Department requires health authorities and NHS trusts in Wales to submit annual returns scheduling all property available for sale.

3.30 A surplus property is not necessarily an empty property. From a health care service point of view, a property will have to be decommissioned and vacated before being sold. A property may be scheduled for sale at a time much later than it was first identified as surplus to requirements, to allow for service re-provisioning elsewhere and for the site itself to be decommissioned. Conversely, marketing a property may start well in advance of it being decommissioned to ensure the site is not left empty for a long period prior to sale, with the attendant risks of dilapidation, vandalism and deterioration in market value.

3.31 There are various stages involved in selling a property once it has been formally declared surplus and programmed for disposal. These include the trust or health authority deciding on the appropriate method of sale (e.g. competitive tender, auction, private treaty), obtaining an estimated market value (from the District Valuer or commercial source) and professionally marketing the property. Trusts and health authorities will normally use the services of professional advisers, including at least a solicitor, a selling agent and an independent valuer (to provide valuation advice independent to that of the selling agent).

3.32 We reviewed the performance of health authorities and NHS trusts in Wales in disposing of estate identified as surplus to requirements. The main performance factors we used in this assessment were the number of surplus properties disposed of, the proceeds generated from disposals, the costs associated with property disposal and the time taken to sell surplus properties.

The number of surplus properties sold by trusts and health authorities

3.33 In response to service developments, the total number of health care sites in Wales has reduced by around a quarter between 1990-91 and 2001-02, including the disposal of over 40 hospitals and nearly 50 health centres and clinics. Most of these properties have been sold through the open market, although in the case of three recent hospital sales property has been transferred as part of a private finance initiative deal to provide new facilities (Chepstow Community Hospital; St David's Hospital, Cardiff; and Neath Port Talbot Hospital, Baglan Moor).

3.34 From our analysis we found that:

- health authorities had disposed of 71 (58 per cent) of the 122 residual estate properties held and managed by them in the five years 1995-96 to 2001-02, with 28 (23 per cent) of residual estate properties scheduled for disposal in 2002-03 and future years and the remaining 23 properties (19 per cent) not yet scheduled for disposal;
- over the same period, NHS trusts in Wales had disposed of an estimated 50 surplus properties owned and managed by them, with three properties owned by two trusts (Ceredigion and Mid Wales, Pontypridd and Rhondda) scheduled for disposal in 2002-03 and future years (two in 2002-03 and one in 2003-04), with a combined market value of £460,000.

Proceeds from the sale of surplus properties

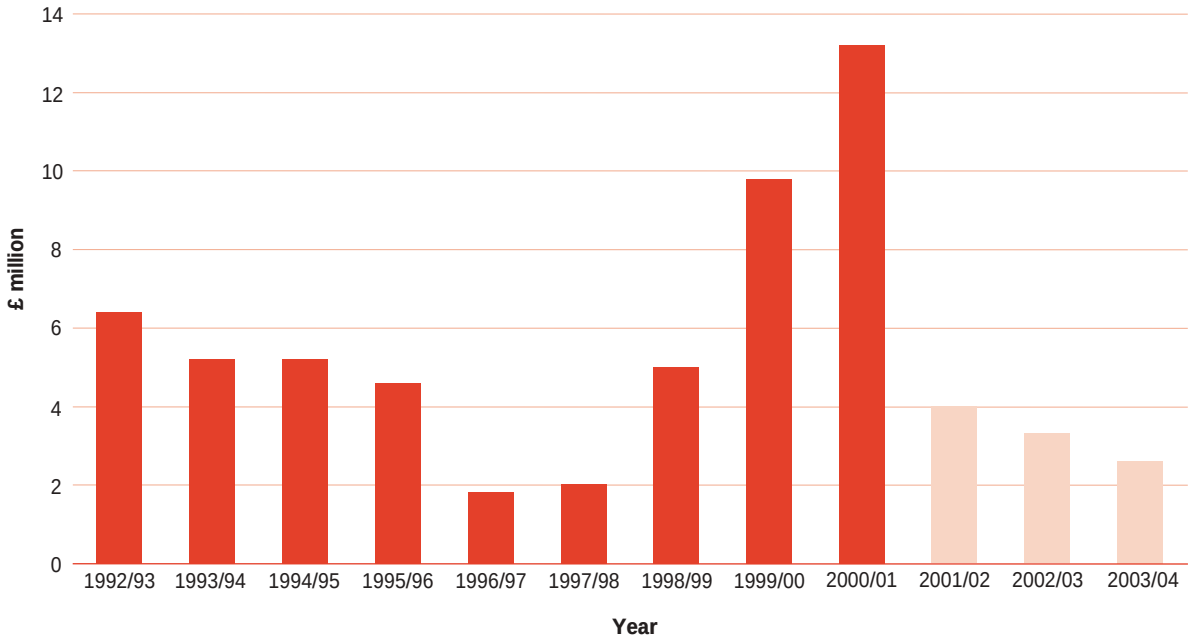
3.35 Net receipts from the disposal of estate assets managed by health authorities on behalf of the Assembly accrue centrally to the NHS Wales Department for use in the capital programme across Wales. Net receipts for the sale of trust owned properties also accrue centrally, except where trusts are allowed to retain a proportion of net proceeds from sales (see paragraph 3.26 to 3.28).

3.36 From our analysis we found that:

- in the period 1992-93 to 2001-02 the former Welsh Office and the Assembly have raised a total of some £53 million in net proceeds from the sale of surplus NHS Wales property, broadly equivalent to the capital cost of the Neath Port Talbot Hospital now under construction;
- the volume of net receipts from sales of surplus properties has risen steadily and significantly since 1996-97, the bulk (£23 million) coming in 1999-2000 and 2000-01, but is expected to tail off from 2001-02 **(Figure 12)**;
- in the period 1996-97 to 2000-01 the NHS Wales was consistently unable to meet its internal forecasts for receipts from asset sales **(Figure 13)**;

Figure 12

Net receipts from the sale of NHS Wales surplus properties, 1992/93 to 2000/01, and estimated net receipts, 2001/02 to 2003/04



Source: Welsh Office and National Assembly for Wales

Figure 13

Performance on sales of surplus properties: receipts achieved against targets

Source: National Assembly for Wales

Figure 14

Examples of property disposals that realised significant net sale proceeds

Prince of Wales Hospital, Rhydlafar

This hospital was a former American military hospital converted into an orthopaedic hospital and opened in 1953, in one of the largest and most expensive conversion projects of its day. Classified as residual estate, it was sold by Bro Taf Health Authority for £10 million in November 2000, with costs of sale amounting to £464,000. The sale contract included clawback arrangements to ensure the NHS Wales benefits from any windfall gains made by the purchaser subsequent to the sale.

East Glamorgan Hospital

East Glamorgan Hospital was planned for closure in the mid 1980s when population projections indicated that the 60 year old hospital would not be able to cope with the anticipated increase in demand for health care services. Its services were transferred to the new Royal Glamorgan Hospital and it was closed in November 1999. In March 2000, Pontypridd and Rhondda NHS Trust sold the site to a property developer for just over £6 million. Despite some problems with the removal of clinical waste from the site, the sale is a good example of what can be achieved when the sale process is started early, where planning permission was secured before the sale for residential development and where there was an interested purchaser. The result was a quick sale at a good price.

Bridgend General Hospital

Bridgend General Hospital was vacated in 1998 and sold by Iechyd Morgannwg Health Authority in January 1999 for £1.15 million, netting £920,000 after sale costs. The Bro Morgannwg NHS Trust managed the sale on the health authority's behalf. It is a good example of a relatively quick sale realising significant proceeds, together with securing the re-provisioning of a new health centre as part of the deal.

Source: National Assembly for Wales and NHS Wales

- in 1999-2000 and 2000-01 health authorities sold, on the Assembly's behalf, 18 residual estate properties, generating net receipts of around £14 million, although much of this came from the sale of one property, the Prince of Wales Hospital, Rhydlafar, which yielded almost £10 million net of costs to the Assembly (see case study in **Figure 14**);
- in 1999-00 and 2000-01, trusts sold 20 surplus properties yielding a net receipt to the Assembly of some £8.5 million, although much of this too came from the sale of one property, East Glamorgan Hospital, which yielded just over £6 million net of costs to the Assembly.

3.37 On our visits to trusts and health authorities and from our focus groups we sought to identify the main factors that contributed to realising high and timely proceeds from the sale of surplus NHS Wales properties. From these we found that key success factors were:

- early planning of the sale, including the early involvement of appropriate professional advisors for property valuation and legal matters;
- sound information about the property itself at the outset, including any liabilities or constraints that could affect the sale process such as matters of historic building interest, rights of way or environmental contamination;
- good relations with local authority planning departments, particularly concerning the early notification by trusts and health authorities of planned disposals and the operation of an open and 'can do' approach from the local authority, within the constraints of public sector propriety and accountability;
- the existence of a robust, competitive market for the property concerned.

3.38 Figure 14 gives some examples where significant proceeds have been realised, to illustrate the factors involved in these cases.

The costs of selling property

3.39 We reviewed the costs relating to the 38 NHS properties disposed of by trusts and health authorities in Wales in 1999-00 and 2000-01. NHS Wales trusts and health authorities are reimbursed relevant costs relating to individual property disposals from the sale proceeds. Relevant costs include site maintenance and security during the disposal process, professional fees for solicitors and estate agents, decontamination costs and (occasionally) demolition costs. We found that:

- disposal costs varied from a few hundred pounds (for a small parcel of land) to a few hundred thousand pounds (for example, the

Figure 15

Examples of property disposals where costs have exceeded proceeds

North Wales Hospital, Denbigh

The hospital was built in the 1840s and provided care for the mentally ill in North Wales, with 565 beds and psychiatric healthcare, domestic, administrative and residential accommodation. It was declared surplus to NHS requirements in the mid 1980s following the development of new mental health care strategies, particularly relating to community care initiatives. Consultation on the closure was carried out in 1991 and after a period of winding down the hospital was closed in October 1995. The hospital is a listed building, which placed development limitations on the site. Marketing the site for disposal began in June 1994. Although little purchaser interest was expressed in the site initially, a number of offers were received, considered and rejected by the health authority between early 1996 and late 1998. For various reasons the health authority decided not to accept these bids, some of which were offers of around £1 million. The site was re-marketed in autumn 1998 and sold in April 1999 for £155,000. The sale agreement included clawback provisions for a share in profits over a ten year period. The sale of the hospital resulted in a net cost to North Wales Health Authority of almost £300,000. The loss on disposal was mainly due to the protracted nature of the sale, during which the health authority rejected at least one opportunity to dispose of the property earlier for a significant sum. The final sale price was also depressed due to the deterioration of the property over the five years it was on the market and problems over rights and responsibilities in respect of adjoining properties identified late in the sale process. The sale was investigated by District Audit who reported their findings and lessons learned to the health authority and the Assembly in February 2000. The main lessons learned were the need for the health authority to act in accordance with guidance on the disposal of surplus properties and with appropriate professional advice.

Priory Street Hospital, Carmarthen

Priory Street Hospital was built in the mid nineteenth century, its construction being funded by local residents during the cholera epidemic at that time. The hospital was run as a charity until it was transferred to the NHS in 1948. The hospital was closed in April 1996 and put on the market for £250,000. The site included a substantial grade II listed building. The site was sold in October 1998 for £50,000. By this time, site security and other costs amounted to some £170,000, a loss of £120,000.

Pontypool and Distict Hospital, Gwent

Pontypool and District Hospital, Gwent, was established as a voluntary hospital at the end of the nineteenth century. The consultative document on the future of the hospital in 1990 stated that the buildings and location were no longer suitable for the provision of health care. It was closed in February 1994 and valued at £200,000 by the District Valuer in June 1994. Due to its restrictive covenant the site had to be offered back to the original landowners. After lengthy negotiations they indicated that they would not offer more than £50,000. There was also a campaign to re-open the hospital involving the public, local councillors and politicians, including an approach to CADW to have the building listed. This caused difficulty in obtaining planning permission and consequently with marketing the site to potential purchasers. The only reasonable offer received was for £85,000, which was accepted in June 2001. At the time it was put on the market it would have cost £2 million to bring the building into any beneficial use. By the time the sale went through it would have cost an estimated £3 - £4 million to restore the building. Consequently, demolition was the only viable option. The costs of the disposal were some £150,000, so the National Assembly made a loss on the sale of £65,000.

Source: National Assembly for Wales and NHS Wales

nearly £500,000 costs for the disposal of the Prince of Wales Hospital, Rhydlafar, sold in November 2000);

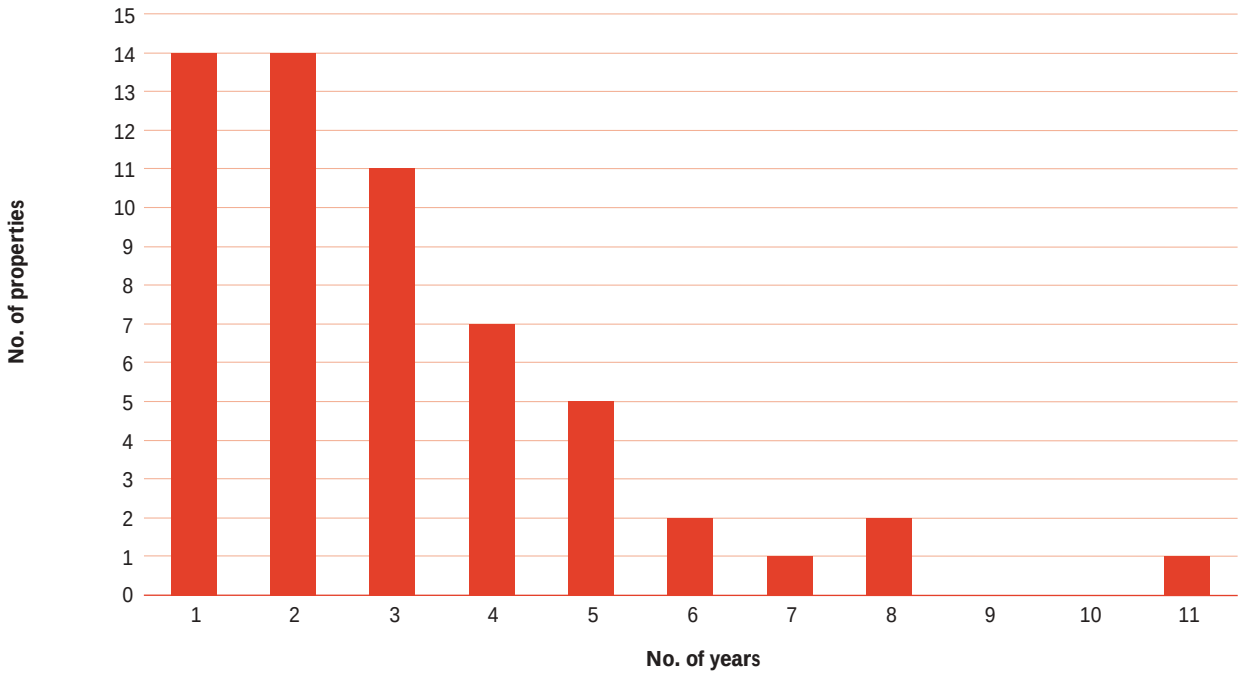
- the average disposal costs of all the properties was £60,000 a property, just under 10 per cent of average gross sale proceeds;
- the average disposal costs for residual estate properties managed by health authorities was some £70,000, amounting to around 12 per cent of average gross proceeds;
- for NHS trust owned properties the average disposal costs were £20,000 a property, around four per cent of average gross proceeds; and
- the average costs of disposing of property owned by NHS trusts in Wales were some £2,500 (14 per cent) more than the average costs of disposing of property owned by trusts in England, where average disposal costs were £17,500, around two per cent of gross proceeds (*The Management of Surplus Property by Trusts in the NHS in England*, paragraph 3.33). It is not clear to what extent this may be a reflection of different market and property conditions or of significant variations in performance with managing disposal costs by trusts in England and Wales.

3.40 **Figure 15** gives examples of sales of surplus NHS Wales property where costs relating to decommissioning and disposal have exceeded proceeds from the sales. The cases illustrate that:

- in general, time is a key driver for increasing such costs as site maintenance and security, as well as eroding potential purchaser interest (e.g. North Wales Hospital, Denbigh and Priory Street Hospital, Carmarthen);
- specific difficulties in obtaining planning permission before sale and in marketing the site can add significantly to the time and

Figure 16

Time taken by NHS Wales trusts and health authorities to dispose of surplus properties



Source: National Audit Office Wales based on information supplied by NHS Wales trusts and health authorities

therefore the costs of individual sales (e.g.North Wales Hospital, Denbigh, and Pontypool and District Hospital, Gwent);

- specific matters relating to restrictive covenants can contribute to increased legal and conveyancing costs, over and above the price-related element of professional fee costs (e.g. Pontypool and District Hospital, Gwent), although these need not add significantly to the time taken to sell properties (e.g. Talygarn Hospital, **Figure 16**).

The time taken to sell surplus properties

3.41 NHS Wales trusts and health authorities provided information for the National Audit Office Wales questionnaire survey on 112 properties that they had disposed of between 1993-94 and 1999-2000. For around half (57) of these properties, sufficient information was available on the dates when the properties were declared surplus and when they were sold to enable us to analyse the time taken to dispose of them. The values and types of these properties were broadly representative of the total population of 112 property sales that the trusts and health authorities told us about.

3.42 From our analysis, shown in Figure 16, we found that:

- the properties took an average of around two and a quarter years to dispose of, from being formally declared surplus to actual sale;
- residual estate properties managed by health authorities (mainly older and larger hospital sites) took an average of two and a third years to sell;
- trust owned properties (mainly clinics and houses) took an average of one and three quarter years to sell;
- a third of all the properties took longer than three years to sell, with one property (the maternity block at Amman Valley Hospital) taking ten years; and
- a quarter of all the properties took a year or less to sell.

Figure 17

Examples of different times taken to dispose of surplus properties

Quick sales:

Talygarn Hospital

Talygarn Hospital was a grade II listed building with land, a lake, a cricket ground, some houses and farm buildings near the M4 motorway. Originally a miners rehabilitation hospital, it was identified as non-essential in the early 1990s and became part of the residual estate. The hospital was closed in May 2000 and put on the market by Bro Taf Health Authority in June 2000. By the time bids closed in August, 16 enquiries and 8 serious offers had been received. The highest bid was an unconditional offer of £1.2 million, with clawback agreed for development of the grounds at 50% for up to 5 years and 30% for 5-10 years. The sale proceeded smoothly until problems arose, including a tenant in part of one of the houses protected by the 1957 Tenancy Act and a chancel liability for the local church dating back to King Richard I. Despite these setbacks, the problems were resolved and the sale was completed in November 2000, just under six months after the site was put on the market. Heating, lighting, garden maintenance and 24 hour security was provided for 6 months from the time services were transferred to the Royal Glamorgan Hospital in May 2000 until the sale. Disposal costs totalled some £250,000 with net receipts of £1 million accruing to the Assembly.

Ely Hospital, Cardiff

This Victorian hospital became surplus to requirements as part of the 1983 Welsh Mental Handicap Strategy. Formal consultation took place in 1995-96 and the hospital was closed in 1997. Ely hospital was leased by the former Cardiff Community Healthcare Trust from Bro Taf Health Authority and provided health care for up to 100 adults with learning difficulties. Before closure the hospital's patients were transferred to smaller residences in the community. The site was put on the market with the benefit of planning permission to demolish the main hospital and build houses, flats, shops and a health centre. The site was sold in 1998 for £2.5 million. The costs of the disposal were some £750,000, leaving net sale proceeds of around £1.25 million.

Slow sales:

St David's Hospital, Bangor

St David's Hospital, Bangor was identified as surplus in the early 1990s and closed in September 1994. As part of the residual estate its disposal was the responsibility of the North Wales Health Authority. The sale was put out to tender in July 1992. The health authority encountered difficulties in concluding the contract regarding to public rights of way across the site, vehicle access and clawback clauses. The site was sold in January 2002 for £1.3 million. The costs relating to the disposal were over £700,000.

Amman Valley Hospital, Maternity Block

The Old Maternity Block at Amman Valley Hospital, Glanamman took over ten years to dispose of. First marketed in the late 1980s, it was eventually sold by Llanelli/Dinefwr NHS Trust (now part of Carmarthenshire NHS Trust) for £50,000 in March 1999. The main reasons for the delay were lack of market interest coupled with planning restraints on the development of the site.

Source: National Assembly for Wales and NHS Wales

3.43 In our questionnaire we also asked trusts and health authorities about the factors that, in their experience, contributed to delays with the disposal of surplus properties. We explored these further in our focus groups. From this it became clear that the time taken to sell properties was heavily conditional on specific factors that varied from case to case. The main factors noted by trusts and health authorities as contributing to delays in selling surplus properties were difficulties with:

- obtaining local authority planning consent for alternative use;
- handling public consultation about proposed hospital closures and sales;
- the availability of potential purchasers, due to unattractive location or unsuitable type of building; and
- obtaining approval for business cases involving sales within the NHS Wales and the Assembly's NHS Wales Department as part of the health planning and re-provision process.

3.44 **Figure 17** gives examples of surplus properties that have been disposed of quickly and that took a long time to dispose of, illustrating the range of experiences and factors in different cases. We recognise that not all the factors involved in securing prompt disposal of individual properties are under the direct control of the NHS trusts and

health authorities in Wales, but consider that there is much that trusts and health authorities can do to actively manage and influence such external factors.

3.45 The performance of NHS trusts in Wales appears to be worse than that of NHS trusts in England. In England, the average time taken by trusts to dispose of surplus property was 14 months (*The Management of Surplus Property by Trusts in the NHS in England*, paragraph 3.13). In Wales, trusts took an average of around 21 months to sell their surplus properties (paragraph 3.39), some seven months (50 per cent) longer. This indicates scope for improvement by NHS trusts in Wales in managing the elapsed time of the sale process. Since 1999, disposal of residual estate in England (there termed retained estate) has been managed centrally by NHS Estates and the National Audit Office did not examine this aspect of NHS property disposal. We have not, therefore, undertaken direct comparison with the performance by health authorities in Wales in selling residual estate.

3.46 From our review of disposals in 1999-00 and 2000-01, we cannot firmly conclude that individual sales could or could not have been completed more quickly without affecting the proceeds obtained. However, we believe that health authorities and trusts in Wales could be doing more to accelerate and expedite the sale of surplus NHS properties, and thereby bring forward receipts from sales. To achieve the performance demonstrated by NHS trusts in England, trusts and health authorities in Wales would need to halve the average time taken to dispose of surplus properties. For illustrative purposes, we estimate that if NHS trusts and health authorities in Wales had done this for the surplus properties sold by them in 1999-00 and 2000-01, they would have brought forward the realisation of sale receipts of up to £5 million.

3.47 Delay in selling properties will also lead to increased costs of sale, through the need to secure and maintain the property for longer during the sale process, and may in some cases decrease the sale price due to deterioration in the fabric of buildings. Speeding up the disposal process would therefore generate running cost savings for the NHS Wales and in some cases help reduce losses to the Assembly on disposal. We also estimate that halving the overall time taken to dispose of the surplus properties sold by trusts and health authorities in 1999-00 and 2000-01 could have saved the NHS Wales some £1.5 million in related disposal costs.

Key points: on selling surplus NHS Wales property

- Overall the NHS Wales estate has reduced by about a quarter since 1990-91, including the disposal of over 40 hospitals and 50 health centres and clinics. In the seven years between 1995-96 to 2001-02, health authorities in Wales disposed of 71 properties, 58 per cent of the residual estate held and managed by them and assessed as having no long term health care use. In the same period NHS trusts in Wales disposed of some 50 surplus properties, around 5 per cent of the operational estate owned and managed by them.
- In the period 1992-93 to 2001-02 the former Welsh Office and the Assembly have raised some £53 million in cash terms in overall net sale proceeds from the sale of surplus properties, peaking in the two years 1999-00 and 2000-01 which together yielded £23 million. These receipts were mainly from the sale of residual estate properties, some of which had been identified as surplus to requirements for many years.
- The average disposal costs for all the NHS surplus properties sold in Wales in 1999-00 and 2000-01 was £60,000 a property. Residual estate properties cost more to dispose of (on average £70,000 a property) than NHS trust owned properties (£20,000), mainly reflecting the larger size, greater complexity and longer time taken to dispose of residual estate properties. The average costs to dispose of NHS trust owned properties in Wales were some 14 per cent higher than those incurred by NHS trusts in England (£17,500). It is not clear to what extent this may be a reflection of different market and property conditions or of significant variations in performance with managing disposal costs by trusts in England and Wales.
- In the case of some surplus NHS Wales properties disposed of in the last ten years the costs of sale exceeded the sale receipts, resulting in a net loss to the Assembly and the NHS Wales. A key driver for increasing costs was the time taken to secure a sale.
- NHS Wales surplus properties sold by trusts and health authorities over the mid to late 1990s took an average of three years to sell after being formally declared surplus. Although a quarter of properties took a year or less to sell, others took up to ten years. Key factors cited by trusts and health authorities as lengthening the time taken to sell properties included difficulties over planning matters, handling public consultation, the availability of prospective purchasers and the time taken within the NHS Wales and the Assembly obtaining approvals for sales;
- Not all the factors involved in securing prompt disposal of individual surplus properties are under the direct control of the NHS trusts and health authorities in Wales, but we consider that there is much that trusts and health authorities can do to actively manage and influence such external factors.
- There was scope to improve performance in the time taken to sell surplus NHS properties in Wales. To achieve the performance demonstrated by NHS trusts in England, trusts and health authorities in Wales would need to halve the average time taken to dispose of surplus properties. We estimate that if NHS trusts and health authorities in Wales had done this for the surplus properties sold by them in 1999-00 and 2000-01, this would have brought forward the realisation of sale receipts of up to £5 million for those years.
- Accelerating the disposal of individual properties would have reduced sale costs and in some cases help reduce losses to the Assembly on disposal. We also estimate that achieving performance in disposal times similar to England could have saved the NHS Wales some £1 million in related disposal costs for 1999-00 and 2000-01.

We recommend that:

- NHS Wales property holding bodies develop more effective, long term partnerships with local authorities in Wales through more joined-up cross-sector working, in particular when seeking planning permission for alternative use and when exploring the potential for land transfers in relation to individual sales;
- the Assembly's NHS Wales Department and NHS Wales property holding bodies examine the scope to accelerate the disposal of surplus properties through more streamlined internal administrative processes, in particular relating to the submission and approval of business cases involving sales;
- NHS Wales property holding bodies ensure they have sound information about their surplus properties and resolve as many matters affecting sales as possible before putting properties on the market. This would expedite sales and keep sale costs to a minimum;
- NHS Wales property holding bodies ensure that the teams established to manage the sale of individual surplus properties are set up early and take timely and independent professional advice on property valuation; and
- the Assembly's NHS Wales Department monitor whether value for money is being achieved from the sale of surplus property assets by health authorities (and their successor bodies) and trusts in Wales, in terms of sale proceeds, costs and time, in the context of periodic reviews of the performance of the chief executives of NHS Wales property holding bodies.

APPENDIX 1 METHODOLOGY USED BY THE NATIONAL AUDIT OFFICE WALES

1 In carrying out its examination the National Audit Office Wales:

- Interviewed officials in the Assembly's NHS Wales Department and its Estates Division responsible for property procurement and property disposal matters, and examined relevant Assembly papers, including considering the work of the Assembly's review team that considered the identification and disposal of surplus NHS properties in Wales;
- Visited seven of the fifteen NHS trusts and each of the five health authorities in Wales to examine management arrangements and practices on the ground and interviewed officials in the NHS in Wales responsible for estate management and with direct experience of using estate services within the NHS in Wales;
- Drew on the information and expertise within Welsh Health Estates to inform its analysis of the property procurement and property disposal activities of NHS trusts and health authorities in Wales;
- Conducted a questionnaire survey of all fifteen NHS trusts and all five health authorities in Wales to obtain information about the procurement and disposal of properties on the NHS Wales estate;
- Reviewed a range of major hospital procurement projects, including the £66 million Neath and Port Talbot Hospital and the £57 million Royal Glamorgan Hospital, to provide case study examples of project management performance by the Assembly and the NHS Wales;
- Reviewed a range of property disposals undertaken by health authorities and trusts in Wales, to provide case study examples of management performance by these bodies and to identify key success factors and constraints relating to property disposal.

2 The National Audit Office Wales facilitated two focus groups made up of estate management professionals in the NHS in Wales to help us develop our conclusions and recommendations.